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# Debt Statistics

# 2000/01

BRITISH COLUMBIA

Ministry of Finance

**Honourable Gary Collins**
*Minister*

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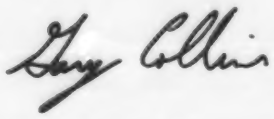
## Message from the Minister

I am pleased to present the seventh annual *Debt Statistics* report for fiscal year 2000/01.

British Columbia's debt-per-capita and debt-to-gross-domestic-product ratios remain the second-lowest in Canada. As a result, British Columbia continues to enjoy one of the highest credit ratings among the provinces, reflecting the increasing diversity of the provincial economy.

The Report of the Auditor General for the year ended March 31, 2001, is included in Section 1. The Auditor General has not been associated with the development of the five-year fiscal planning framework. The framework was developed by the former administration prior to the swearing in of a new government in June 2001.

I welcome your comments and suggestions on this edition of *Debt Statistics* report.



Gary Collins
Minister of Finance

# PROVINCE OF BRITISH COLUMBIA
# DEBT STATISTICS

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The Debt Statistics Report is also available on the Internet at http://www.fin.gov.bc.ca

Section I

# Province of British Columbia Debt Report

# Report of the Auditor General of British Columbia

## ON THE SUMMARY OF PROVINCIAL DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF KEY BENCHMARKS

*To the Legislative Assembly*
*of the Province of British Columbia*

**Preamble**

The Government of British Columbia, in its Budget '95 (Report E), presented a debt management plan. In that plan, the Government stated that it will annually provide an audited report on its progress in meeting plan goals and benchmarks.

In Budget '97 (Report C), the Government introduced a financial management plan with new benchmarks, to replace its debt management plan. In Budget '98 (Report C) the Government modified the benchmarks in its financial management plan, and in Budget '99 (Report B) it introduced a 5-year fiscal planning framework as a focus of its financial management plan, and again modified benchmarks.

Each year since 1995, at the request of the Minister of Finance, the Auditor General has provided a special report to the Legislative Assembly on the completeness and accuracy of debt related statements prepared by the Government. For the Debt Statistics 2000/01 report, these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks. Through these statements the Government outlines its management of the provincial debt by comparing the fiscal year's actual results with those of prior years for provincial debt and its indicators, and to the budgeted indicators and benchmarks.

Consistent with prior years, in these statements, and in budgets, provincial debt includes debt of the government reporting entity as defined by the Canadian Institute of Chartered Accountants but does not include amounts borrowed from private lenders directly by School Districts, Universities, Colleges and Institutes, Public Health Care Organizations and Regional Hospital Districts. For the 2000/01 fiscal year, the outstanding balance of these excluded borrowings amounted to $411 million ($375 million for 1999/2000).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the completeness and accuracy of such information based on the above definition of provincial debt.

. . . 2

**Scope**

I examined financial and other information included in the statements titled Summary of Provincial Debt as at March 31, 2001, Key Indicators of Provincial Debt for the Fiscal Year ended March 31, 2001, and Summary of Key Benchmarks for the Fiscal Year ended March 31, 2001 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by myself or by other auditors whose work I have reviewed on a test basis. They also include confirming or assessing the reasonableness of the statistical data used by the government on the Province's population and gross domestic product; however, I did not perform an audit of such data. I also assessed the appropriateness of the calculation and presentation of the information contained in the statements.

**Opinion**

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt as at March 31, 2001, Key Indicators of Provincial Debt for the Fiscal Year ended March 31, 2001, and Summary of Key Benchmarks for the Fiscal Year ended March 31, 2001 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a manner consistent with the requirements of the fiscal planning framework.

**Disclaimer**

I have not been associated with the development of the Government plans to manage provincial debt or the five-year fiscal planning framework, nor have I audited them. This fiscal planning framework is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of provincial debt as outlined in the preamble to this report.

Wayne Strelioff

*Victoria, British Columbia*
*July 12, 2001*

Wayne Strelioff, CA
Auditor General

## SUMMARY OF PROVINCIAL DEBT[1]
**as at March 31**

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|---|---|---|---|---|---|
| | | | ($ millions) | | |
| **Taxpayer-supported debt** | | | | | |
| ***Provincial government direct operating***[2] | 12,069 | 13,833 | 12,190 | 11,488 | 11,030 |
| ***Education***[3] | | | | | |
| Schools | 3,880 | 3,609 | 3,261 | 2,990 | 2,835 |
| Post-secondary institutions | 1,383 | 1,369 | 1,336 | 1,362 | 1,395 |
| | 5,263 | 4,978 | 4,597 | 4,352 | 4,230 |
| ***Health facilities***[3] | 1,780 | 1,451 | 1,282 | 1,417 | 1,431 |
| ***Highways, ferries and public transit*** | | | | | |
| BC Transportation Financing Authority | 2,197 | 1,843 | 1,433 | 1,089 | 921 |
| British Columbia Ferry Corporation[2] | 21 | 24 | 973 | 795 | 685 |
| British Columbia Transit | 75 | 79 | 59 | 1,579 | 1,538 |
| Public transit[3] | 948 | 952 | 987 | — | — |
| *SkyTrain* extension[3] | 836 | 488 | 133 | — | — |
| Rapid Transit Project 2000 Ltd. | 114 | 101 | 56 | — | — |
| | 4,191 | 3,487 | 3,641 | 3,463 | 3,144 |
| ***Other*** | | | | | |
| British Columbia Buildings Corporation | 610 | 615 | 715 | 735 | 736 |
| 552513 British Columbia Ltd. (Skeena Cellulose Inc.)[4] | 337 | — | — | — | — |
| British Columbia Systems Corporation[5] | — | — | — | — | 19 |
| Social housing[6] | 265 | 205 | 183 | 175 | 152 |
| Homeowner Protection Office | 71 | 34 | 11 | — | — |
| Universities and colleges | 124 | 130 | 137 | 144 | 154 |
| 577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.) | — | 62 | — | — | — |
| 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[2] | — | 3 | 29 | — | — |
| Local governments | 8 | 9 | 10 | 10 | 11 |
| Other[7] | 235 | 347 | 381 | 367 | 368 |
| | 1,650 | 1,405 | 1,466 | 1,431 | 1,440 |
| **Total taxpayer-supported debt** | **24,953** | **25,154** | **23,176** | **22,151** | **21,275** |
| **Self-supported debt** | | | | | |
| ***Commercial Crown corporations and agencies:*** | | | | | |
| British Columbia Hydro and Power Authority | 6,852 | 6,945 | 7,474 | 7,234 | 7,477 |
| British Columbia Railway Company | 603 | 655 | 607 | 503 | 412 |
| 552513 British Columbia Ltd. (Skeena Cellulose Inc.)[4] | — | 280 | 221 | 157 | — |
| Columbia Basin Power Company[8] | 93 | 94 | 94 | 95 | 96 |
| Columbia Power Corporation | 20 | — | — | — | 3 |
| Other[9] | 2 | 3 | 3 | 3 | 8 |
| | 7,570 | 7,977 | 8,399 | 7,992 | 7,996 |
| ***Warehouse program*** | 1,312 | 1,320 | 658 | 212 | 100 |
| **Total self-supported debt** | **8,882** | **9,297** | **9,057** | **8,204** | **8,096** |
| **Total provincial debt** | **33,835** | **34,451** | **32,233** | **30,355** | **29,371** |

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2000/01.
[2] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — $70 million).
[3] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.
[4] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.) the debt was reclassified as being taxpayer-supported in 2000/01. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.
[5] The provincial government assumed the debt of the British Columbia Systems Corporation.
[6] Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.
[7] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), Victoria Line Ltd., student assistance loans, loans guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the British Columbia Securities Commission, Forest Renewal BC, Legal Services Society, Okanagan Valley Tree Fruit Authority, Pacific National Exhibition and Tourism British Columbia. During the period 1995/96 to 1999/00, only an estimate for loan defaults had been included as government guarantees for student loans. Amounts have been restated to add the following guaranteed loans: 2000/01 — $129 million, 1999/00 — $224 million, 1998/99 — $226 million, 1997/98 — $187 million, 1996/97 — $128 million and 1995/96 — $53 million.
[8] Columbia Basin Power Company is a joint venture of the Columbia Power Corporation and Columbia Basin Trust.
[9] Includes non-guaranteed debt of the British Columbia Lottery Corporation and British Columbia Liquor Distribution Branch.

# Key Indicators of Provincial Debt[1] and Summary of Key Benchmarks

## KEY INDICATORS OF PROVINCIAL DEBT
**for the Fiscal Years Ended March 31**

| | 2001 | | | | | |
|---|---|---|---|---|---|---|
| | **Budget** | **Actual** | **2000** | **1999** | **1998** | **1997** |
| Debt to revenue (per cent) | | | | | | |
| Total provincial | 109.0 | 83.3 | 102.3 | 103.0 | 99.2 | 98.2 |
| Taxpayer-supported | 114.3 | 90.1 | 101.5 | 99.5 | 94.2 | 91.8 |
| Debt per capita ($)[2] | | | | | | |
| Total provincial | 8,964 | 8,326 | 8,553 | 8,062 | 7,665 | 7,566 |
| Taxpayer-supported | 6,852 | 6,140 | 6,245 | 5,797 | 5,594 | 5,480 |
| Debt to GDP (per cent)[3] | | | | | | |
| Total provincial | 30.7 | 26.9 | 29.0 | 28.3 | 26.7 | 27.1 |
| Taxpayer-supported | 23.5 | 19.9 | 21.2 | 20.3 | 19.5 | 19.6 |
| Interest bite (cents per dollar of revenue)[4] | | | | | | |
| Total provincial | 8.4 | 6.4 | 7.5 | 7.8 | 7.6 | 8.0 |
| Taxpayer-supported | 8.3 | 6.8 | 7.2 | 7.4 | 7.0 | 7.3 |
| Interest costs ($ millions) | | | | | | |
| Total provincial | 2,812 | 2,604 | 2,528 | 2,452 | 2,319 | 2,386 |
| Taxpayer-supported | 2,024 | 1,871 | 1,785 | 1,723 | 1,656 | 1,692 |
| Interest rate (per cent)[5] | | | | | | |
| Taxpayer-supported | 7.7 | 7.5 | 7.4 | 7.6 | 7.6 | 8.2 |
| **Background Information:** | | | | | | |
| Revenue ($ millions) | | | | | | |
| Total provincial[6] | 33,472 | 40,609 | 33,679 | 31,294 | 30,593 | 29,919 |
| Taxpayer-supported[7] | 24,399 | 27,681 | 24,784 | 23,285 | 23,525 | 23,174 |
| Total debt ($ millions) | | | | | | |
| Total provincial | 36,473 | 33,835 | 34,451 | 32,233 | 30,355 | 29,371 |
| Taxpayer-supported[8] | 27,881 | 24,953 | 25,154 | 23,176 | 22,151 | 21,275 |
| Provincial GDP ($ millions)[9] | 118,820 | 125,690 | 118,783 | 113,945 | 113,596 | 108,454 |
| Population (thousands at July 1)[10] | 4,069 | 4,064 | 4,028 | 3,998 | 3,960 | 3,882 |

## SUMMARY OF KEY BENCHMARKS

| | For fiscal year ended March 31, 2001 | |
|---|---|---|
| | Benchmark | Actual |
| Taxpayer-supported Debt as a Per Cent of Provincial GDP | 22.0 to 27.0[11] | 19.9 |
| Taxpayer-supported Interest Expense per Dollar of Revenue (cents) | cap of 9.0[12] | 6.8 |

[1] Figures for prior years have been restated to conform with the presentation used for 2001.
[2] The ratio of debt to population (e.g. 2000/01 debt divided by population at July 1, 2000).
[3] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2000/01 debt divided by 2000 GDP).
[4] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest in order to provide a more comparable measure to outstanding debt.
[5] Weighted average of all outstanding debt issues.
[6] Includes revenue of the Consolidated Revenue Fund plus revenue of all Crown corporations and agencies.
[7] Excludes revenue of commercial Crown corporations and agencies.
[8] Excludes debt of commercial Crown corporations and agencies (including non-guaranteed debt) and funds held under the province's warehouse program.
[9] GDP for the calendar year ending in the fiscal year (e.g. GDP for 2000 is used for the fiscal year ending March 31, 2001). GDP for 2000 is a Ministry of Finance and Corporate Relations estimate (GDP numbers were not available from Statistics Canada at the time of publication.)
[10] Population at July 1st within the fiscal year (e.g. population at July 1, 2000 is used for the fiscal year ending March 31, 2001).
[11] Benchmark presented in the *Budget '99 Reports* document was retained by government for fiscal 2000/01.
[12] Benchmark presented in the *Budget '98 Reports* document was retained by government for fiscal 2000/01.

Section II

# **Debt Statistics Report**

(unaudited)

## Overview of Provincial Debt

The provincial government and its Crown corporations incur debt to finance operations and capital projects. The provincial government also provides financings to other organizations including some local government agencies. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads and other social and economic capital assets. Similar to the private sector, the government spreads the cost of these projects over the asset's useful life.

Provincial net debt falls into two categories: taxpayer-supported and self-supporting.

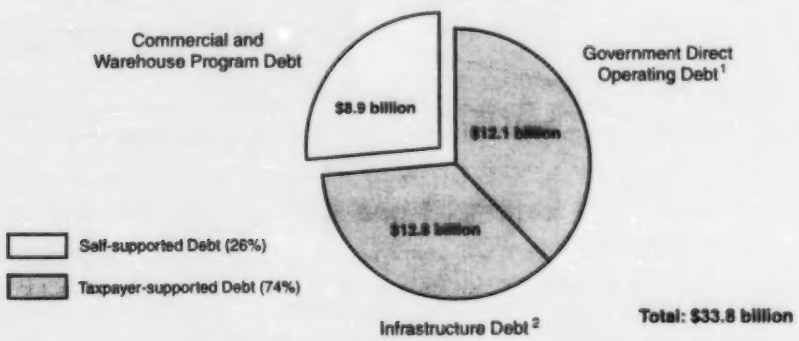
Taxpayer-supported debt includes government direct debt, which is incurred for government operations and capital purposes, and the debt of Crown corporations and agencies which require an operating or debt service subsidy from the provincial government. Examples include British Columbia Ferry Corporation, British Columbia Buildings Corporation, and the BC Transportation Financing Authority.

Self-supporting debt includes the debt of commercial Crown corporations and agencies as well as the warehouse borrowing program. Commercial Crown corporations generate sufficient revenues to cover interest costs and repay principal, and may pay dividends to the province. The British Columbia Hydro and Power Authority and British Columbia Railway Company are examples of commercial Crown corporations. The warehouse borrowing program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to either the province or its Crown corporations and agencies. In the interim, the funds are invested at market rates.

Chart 1 indicates the breakdown among various categories of provincial debt as at March 31, 2001. Provincial debt totaled $33.8 billion, equal to 26.9 per cent of the province's gross domestic product (GDP). Taxpayer-supported debt was $24.9 billion or 19.9 per cent of GDP. Self-supporting debt, including the warehouse program, was $8.9 billion. Debt of Crown corporations and agencies is primarily incurred to build provincial infrastructure, such as ferries, roads, hospitals and schools.

CHART 1

**CATEGORIES OF PROVINCIAL DEBT**
**As at March 31, 2001**




[1] Includes a portion of roads infrastructure debt prior to 1994/95, and ferry infrastructure debt transferred in 1999/00.
[2] Includes debt of taxpayer-supported Crown corporations and agencies to finance capital projects (e.g., roads, ferries and public transit).

## *Financing Process*

The provincial government and its Crown corporations and agencies meet borrowing requirements through a number of different financing programs. Borrowing is undertaken in different currencies and markets, and offered in fixed and floating rate form. This diversity reflects the differing purposes and client needs for which funds are required.

Most Crown corporation and agency borrowing is done through the Fiscal Agency Loan program. Under this program, the provincial government borrows directly in financial markets and relends the funds to Crown corporations and agencies on matching terms. The borrowing and financing costs remain the responsibility of the Crown corporations and agencies except in certain cases when the province provides a contribution to pay for all or part of the debt service costs. The Fiscal Agency Loan program provides lower-cost financing because of the province's strong credit rating and its ability to borrow at lower interest rates.

In some circumstances, Crown corporations and agencies may borrow directly from lenders; authority to borrow is provided by the government.

In addition to the "traditional" borrowing methods discussed above, the province reviews opportunities for alternative financing, for example, public-private partnerships, as a means of meeting the growing demand for public infrastructure where the total project cost is less expensive. One advantage of using alternative methods is that support from taxpayer revenues can be minimized (see discussion on Alternative Capital Procurement and Financing on page 19).

## *Historical Summary*

The provincial government reports debt in two ways — on a gross and on a net basis.

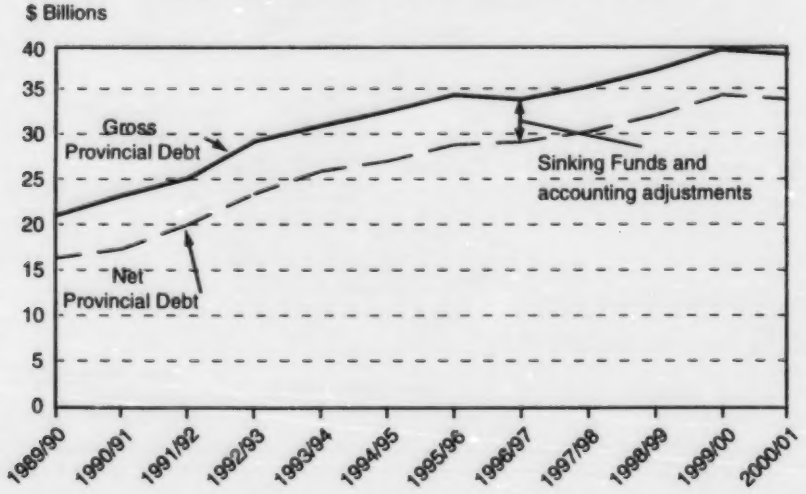
***Gross debt:*** Is the aggregate principal amount of all outstanding debt in Canadian dollars, including notes, mortgages, bonds, commercial paper, capital leases, loans with provincial guarantees, and non-guaranteed debt of Crown corporations and agencies.

***Net debt:*** Equals gross debt less accumulated sinking funds and other accounting adjustments, including unamortized discount and premium balances resulting from the market pricing of debt issues. Unless otherwise stated, the term debt refers to the province's net debt.

Chart 2 provides an historical perspective of the government's gross and net debt outstanding.

CHART 2

**GROSS AND NET PROVINCIAL DEBT OUTSTANDING**



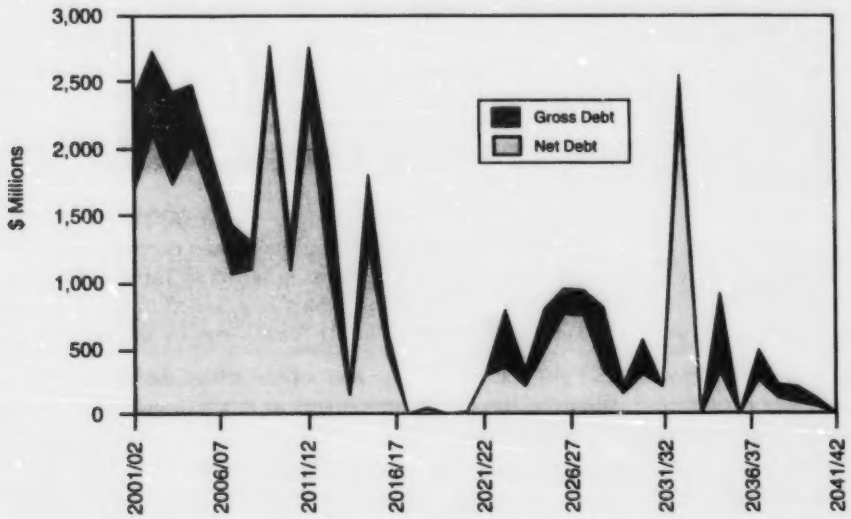
### *Sinking Funds*

In order to manage the retirement of debt the provincial government uses sinking funds. The province's Crown corporations and agencies make annual sinking fund contributions for virtually all debt with a term of five or more years. Debt with a remaining term of one year or longer will, on average, be 25.4 per cent covered by existing sinking funds at maturity. At March 31, 2001, gross provincial debt totaled $38.9 billion. After deducting sinking funds of $4.9 billion and other accounting adjustments of $0.2 billion net provincial debt totaled $33.8 billion (see Appendix E).

CHART 3

**PROVINCE OF BRITISH COLUMBIA NET DEBT MATURITIES**

**As at March 31, 2001**




### *Administrative and Reporting Changes*

The *Budget Transparency and Accountability Act (BTAA)* was passed by the Legislative Assembly on July 6, 2000. Key changes included legislated dates for the release of financial reports, including the Public Accounts and Quarterly Reports, both of which include detailed information on the provincial debt. In addition, effective October 1, 2000, any government reporting entity making a capital cost commitment of over $50 million must make public a plan setting out: the objectives of the project, its costs and benefits and the associated risks of the project. The BTAA requires progress reporting on an annual basis.

In fiscal 2000/01, based on the outlook for world pulp prices and the potential impact on the profitability of 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the entity was changed from being a self-supported entity recorded on the modified equity basis to a taxpayer-supported entity recorded on the fully consolidated basis in the province's summary financial statements. As a result, the debt was reclassified from self-supported debt to taxpayer-supported debt. There is no change to the total provincial debt as a result of this reclassification.

## Review of 2000/01 Borrowing and Changes in Debt

### *2000/01 Borrowing*

Interest rates in Canada followed a volatile path during 2000/01, starting the year by continuing their rise upwards, reflecting the tightening bias of the U.S. and Canadian central banks, then falling on evidence of an economic slowdown and stock market decline, and edging up again modestly in the last quarter, precipitated by inflationary concerns. In contrast to corporate issuers, credit spreads for the provinces were generally stable. The province's borrowing strategy in this steepening yield curve environment was to accelerate medium-and longer-term issuance to secure lower cost funds.

TABLE 1
2000/01 PROVINCIAL BORROWING REQUIREMENTS AND CHANGE IN DEBT

| | ($ Millions) |
|---|---|
| Summary Operating Deficit/(Surplus) | (1,498) |
| Capital requirements | 2,799 |
| Refinancing requirements | 2,216 |
| *Less:* | |
| Other financing requirements/(sources)[1] | (661) |
| Total requirements | 2,856 |
| Warehouse program increase/(draw-downs) | (8) |
| **Gross Borrowings** | **2,848** |
| *Less:* Debt maturities and changes in sinking fund balances | (3,464) |
| **Net Increase/(Decrease) in Provincial debt** | **(616)** |

[1] Represents other financing requirements/(sources) from working capital, financing transactions (including cash on hand at the beginning of the fiscal year) for the province and its Crown corporations and agencies and adjustments for non-cash budgetary items which contribute to the bottom line surplus but do not provide a source of cash to reduce borrowings.

During the fiscal year ending March 31, 2001, the government and its Crown corporations and agencies borrowed $2.8 billion in long term debt to meet the requirements outlined in Table 1. There was a net decrease in short-term debt outstanding of about $0.7 billion which is included in the debt maturities in Table 1. Table 2 provides additional information on the 2000/01 borrowings by market.

Domestic market sources provided 100 per cent of the province's borrowings during the 2000/01 fiscal year. These financings were completed entirely in the Canadian markets as international markets did not present many cost-effective opportunities. These included:

- $2.3 billion from five domestic public bond issues at 10- and 30-year terms;
- $150 million from notes offered under the Medium Term Note (MTN) Program. MTNs offer the province an attractive alternative to domestic public issues, often saving commission costs;
- $149 million from Canada Pension Plan issues; and
- $249 million from the annual B.C. Savings Bond Program.

TABLE 2
SUMMARY OF BORROWING BY MARKET
For the year ended March 31, 2001

| Category | Number of Issues | Amount Raised (C $ Millions) | Percent |
|---|---|---|---|
| Public Canadian Bonds | 5 | 2,300 | 81 |
| Canadian MTNs | 2 | 150 | 5 |
| Canada Pension Plan | 7 | 149 | 5 |
| B.C. Savings Bond | 1 | 249 | 9 |
| **Domestic Total** | | **2,848** | **100** |
| **International Total** | — | — | — |
| **Total** | **15** | **2,848** | **100** |

For debt portfolio management purposes, the Debt Management Branch combines the government direct debt and the debt incurred for education, health facilities and public transit. This combined portfolio represents debt for which the government has direct responsibility for the associated debt service costs. As at March 31, 2001, floating rate exposure for the combined portfolio was 36.6 per cent, this was within the 45% limit

established by the Risk Committee, and reflects the 2000/01 borrowing strategy. U.S. dollar exposure was 3.9 per cent and Japanese Yen exposure was 3.7 per cent of net debt; well within the 10 per cent total foreign currency limit set by the Risk Committee.

The Debt Management Branch also manages the Provincial Treasury Revenue (Matched Book) Program. The purpose of the program is to generate low-risk arbitrage profit for the government. This involves borrowing money at a cost which locks-in net revenue from the related investments. The program debt ($109.2 million as at March 31, 2001) is netted against the related investments. As at March 31, 2001, the program had generated profits of $7.3 million since its commencement in 1990. In 2000/01, net revenue was $0.7 million. Four new trades in the amount of $107 million were added in 2000/01.

The Debt Management Branch implemented a couple of measures to lower the cost of managing the province's liabilities. For the 2000 BC Savings Bond program the branch managed the administration and replaced external managers, saving $110,000 per annum. Effective July 2001, the BC Savings Bond program was eliminated, as more cost-effective, low-risk borrowing options are available to the province. Further in 2000, the branch successfully persuaded the credit rating agencies that it was appropriate for the province to halve its U.S. $1 billion line of credit facility given British Columbia's credit strength and available liquid reserves; as a result the province will save U.S. $200,000 per annum in standby fees.

### *Changes in Debt for 2000/01*

Provincial debt decreased $616 million from the previous year to total $33.8 billion at March 31, 2001 (26.9 per cent of GDP). The change was $2.6 billion lower than planned mainly due to substantially lower government operating requirements (resulting from an unexpected summary accounts surplus), lower capital spending, offset by a higher than projected balance in the warehouse borrowing program. Chart 4 shows the change in total provincial debt for 2000/01.

CHART 4

**CHANGE IN TOTAL PROVINCIAL DEBT**
**For the Year Ended March 31, 2001**

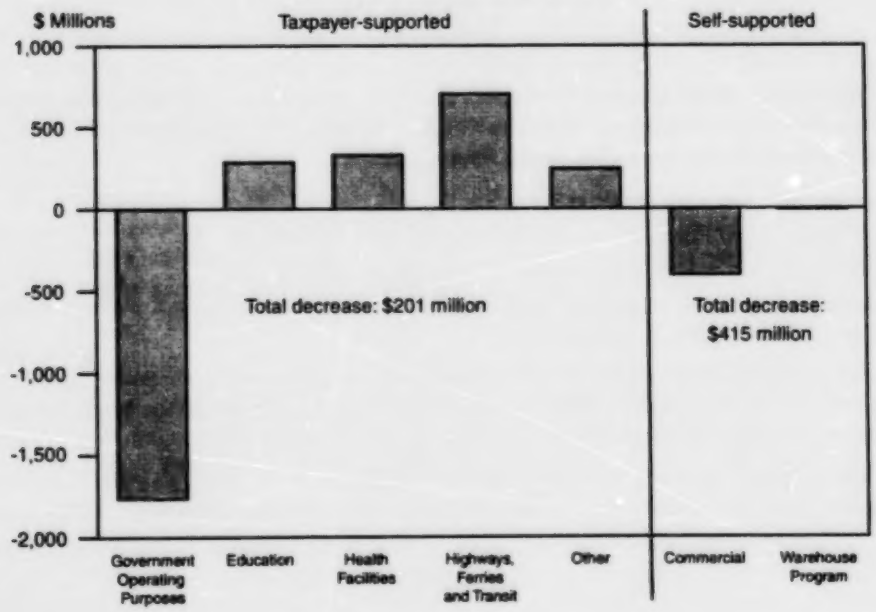
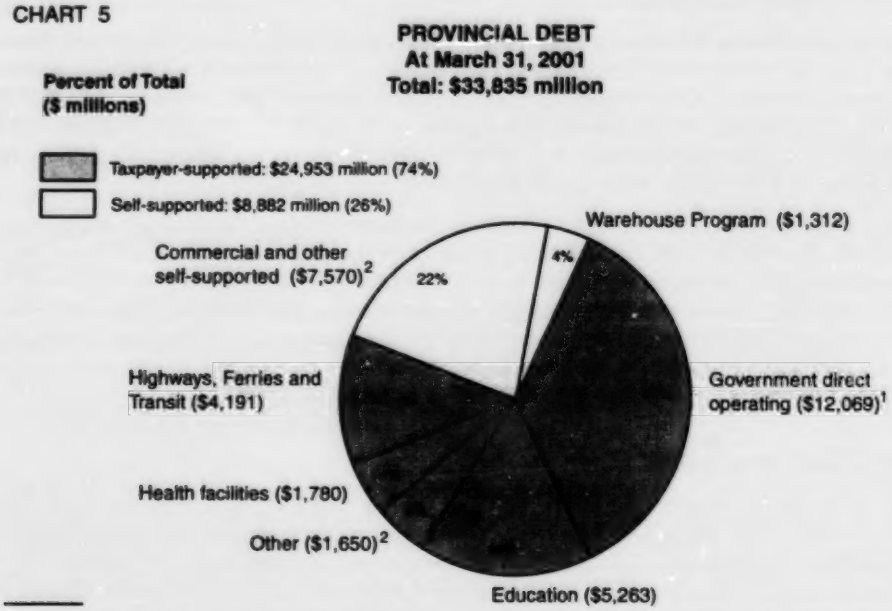


Chart 5 shows a breakdown by category of provincial debt outstanding at March 31, 2001.

CHART 5




[1] Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, ferry infrastructure debt transferred in 1999/00, and amounts required to finance operating deficits.

[2] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.) the debt was reclassified as being taxpayer-supported in 2000/01.

**Taxpayer-supported Debt:** At March 31, 2001 taxpayer-supported debt totaled $24.9 billion (19.9 per cent of GDP). This represents a reduction in debt of $201 million from the previous year, the change was $2.9 billion less than planned. The change in debt includes:

*Provincial government direct operating debt* funds government operations, including refinancing of maturing debt and other financing transactions. During fiscal 2000/01, provincial government direct operating debt decreased $1,764 million ($2,955 million lower than planned).

The decrease in debt was a result of the following;

- a positive Consolidated Revenue Fund (CRF) balance of $1,551 million;
- $977 million reduction in cash and temporary investments; offset by a
- $764 million of net disbursements from financing and working capital transactions (e.g. loans, investments, accounts receivable/payable transactions).

*Education debt* funds the construction of education related capital projects. Education capital financing debt increased $285 million, which was $226 million lower than planned due to delays in capital spending and higher than forecast sinking fund balances.

*Health Facilities capital financing debt* increased $329 million from the previous year. The increase was $123 million higher than planned due to additional approved capital spending during 2000/01.

*Highways, ferries and public transit debt* is incurred to finance transportation related infrastructure. Debt in this category increased $704 million during fiscal 2000/01. Debt incurred for road construction rose $354 million during the year and other public transit related debt increased $350 million, primarily due to the capital financing for the SkyTrain extension project. The increase in debt was $321 million lower than

budgeted primarily due to the lower than projected borrowings for the BC Transportation Financing Authority (reflecting lower than forecast capital spending and lower working capital requirements) and the British Columbia Ferry Corporation (due to improved operating results and lower than forecast capital spending).

*Other taxpayer-supported debt* includes the debt of British Columbia Building Corporation, 552513 British Columbia Ltd. (Skeena Cellulose), the Homeowner Protection Office, debt incurred to finance social housing, student residence and parking facilities at universities and colleges, and loan guarantees under various provincial programs.

Other taxpayer supported debt increased $245 million during fiscal 2000/01, as a result of the reclassification of the debt of 552513 British Columbia Ltd. (Skeena Cellulose), additional funding for social housing and the Homeowner Protection Office, offset by the reduction in debt of 577513 British Columbia Ltd., as proceeds from the sale of the investment in Western Star Trucks Holding Ltd. were used to retire the associated debt and a reduction in the loan guarantees associated with the student loans program. During the period 1995/96 to 1999/00 only an estimate for loan defaults was included as government guarantees for student loans, for 2000/01 the amounts have been restated to include the full amount of outstanding loans.

**Self-supported Debt:** At March 31, 2001, self-supported debt totaled $8.9 billion (7.0 per cent of GDP). During 2000/01, debt decreased $415 million, compared to an expected decrease of $705 million. The debt changes include:

*Commercial Crown corporations and agencies* finance the construction and maintenance of transmission lines and generating facilities, rail systems and dock facilities. These corporations and agencies are self supporting as they generate revenue from the sales of services at commercial rates and pay their own operating expenses, including debt service charges. During 2000/01 debt of commercial Crown corporations and agencies decreased by $407 million compared to a projected increase of $15 million. This variance was due to the reclassification of the debt of 552513 British Columbia Ltd. (Skeena Cellulose), the reduction in debt of British Columbia Hydro and Power Authority (resulting from higher than expected earnings) and of the British Columbia Railway Company (as proceeds from asset dispositions were used to reduce debt).

*The warehouse borrowing program* takes advantage of market opportunities to borrow money in advance of actual requirements. This debt is eventually allocated to either the province or its Crown corporations and agencies. In the interim, the money is invested and earns interest at market rates. The debt under this program decreased $8 million during the fiscal year, compared to an expected decrease of $720 million. The following factors help explain the substantial balance in the warehouse borrowing program:

- The province's borrowing requirements subsequently proved to be significantly less than estimated, due to higher than projected revenues and lower capital expenditures; and
- It was judged appropriate that the province be well funded in advance of the 2001/02 requirements, given that provinces, by custom, abstain from issuing bonds during the period around a general election and until investors and credit rating agencies have a full understanding of any related financial impacts.

## Credit Rating

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a more risky, lower-rated security.

Taxpayer-supported debt is a measure often used by investors and credit rating agencies when analyzing a province's investment quality. The ratio of a province's taxpayer-supported debt relative to its gross domestic product (GDP) highlights the ability of a province to manage its debt load. British Columbia's taxpayer-supported debt burden is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs. Table 3 provides an interprovincial comparison of credit ratings.

TABLE 3
INTERPROVINCIAL COMPARISON OF CREDIT RATINGS

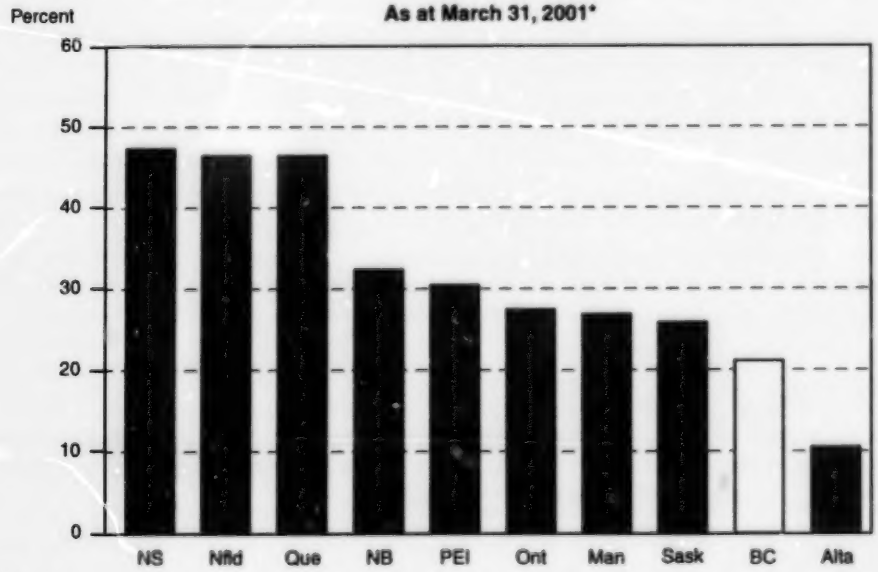
| Province | Rating Agency[1] | | |
|---|---|---|---|
| | Moody's Investors Service | Standard and Poor's | Dominion Bond Rating Service |
| British Columbia | Aa2 | AA– | AA (Low) |
| Alberta | Aaa | AAA | AA (High) |
| Saskatchewan | A1 | A+ | A |
| Manitoba | Aa3 | AA– | A |
| Ontario | Aa3 | AA | AA |
| Quebec | A2 | A+ | A |
| New Brunswick | A1 | AA– | A |
| Nova Scotia | A3 | A– | BBB (High) |
| Newfoundland | Baa1 | A– | BBB |
| Prince Edward Island | A3 | Not Rated | A (Low) |

[1] The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "+", and "–" modifiers show relative standing within the major categories. For example, AA+ exceeds AA and Aa2 exceeds Aa3.

British Columbia still retains one of the highest credit ratings among the provinces, reflecting its strong balance sheet and the depth and diversity of its economy. Among the provinces, Moody's calculates British Columbia's taxpayer-supported debt to GDP ratio and the taxpayer-supported debt per capita as the second lowest. See Charts 6 and 7.

CHART 6

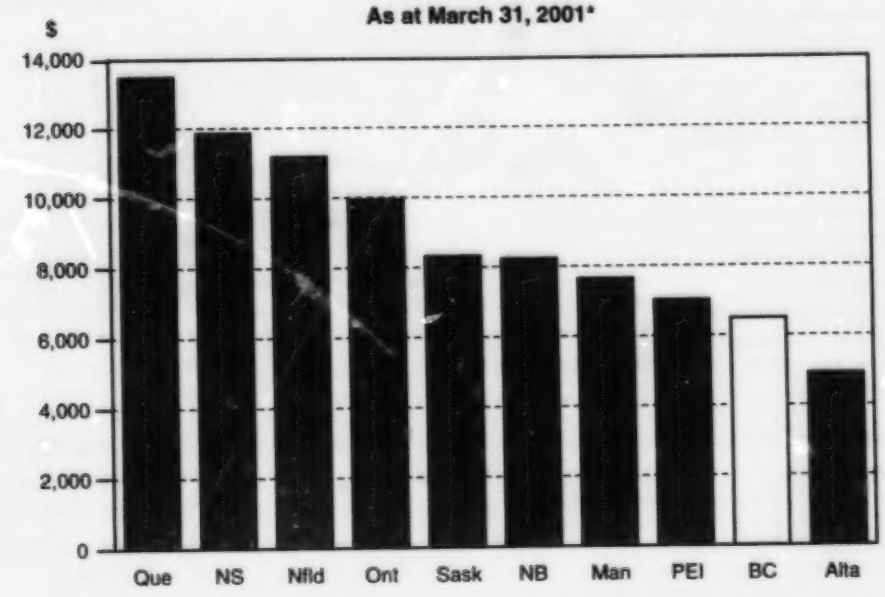
**INTERPROVINCIAL COMPARISON OF TAXPAYER-SUPPORTED DEBT AS A % OF GDP**
**As at March 31, 2001***




* Source: Moody's Investors Service; May, 2001.

CHART 7

**INTERPROVINCIAL COMPARISON OF TAXPAYER-SUPPORTED DEBT PER CAPITA**
**As at March 31, 2001***




* Source: Moody's Investors Service, May, 2001.

## Capital Spending

Borrowing can finance the building of schools, hospitals, roads, and other provincial infrastructure. These investments provide essential services today and also benefit future generations of British Columbians. The need for capital infrastructure in British Columbia is substantial. Maintaining the existing asset base, replacing aging infrastructure, and meeting the needs of a changing population all require capital spending. Table 4 provides a summary of capital expenditures for 2000/01.

In 2000/01, $2.8 billion was spent on capital projects including the building of schools, hospitals, roads and other forms of provincial infrastructure. Expenditures were down from the $3.1 billion budget amount primarily due to slower than anticipated spending on education capital projects ($191 million), highway projects ($28 million), BC Ferries capital projects ($58 million), and on SkyTrain construction ($47 million). This underspending has been partly offset by additional investments for health capital equipment ($102 million).

A partial list of projects completed in 2000/01 include:

*Education facilities*

- school construction in Kelowna, Surrey, Richmond, Chilliwack, Abbotsford, Langley, Maple Ridge, Coquitlam, Burnaby, Qualicum, Comox, Sooke, Prince George, and Prince Rupert.

TABLE 4
GOVERNMENT, CROWN CORPORATIONS AND AGENCIES
MAJOR CAPITAL EXPENDITURES FOR THE FISCAL YEAR 2000/01

| | Budget Estimate 2000/01 | Actual[1] 2000/01 | Change From Budget |
|---|---|---|---|
| | | ($ millions) | |
| **Taxpayer-supported Capital Plan** | | | |
| Education | 579 | 388[2] | (191) |
| Health | 309 | 411[2] | 102 |
| BC Transportation Financing Authority | 502[3] | 474 | (28) |
| British Columbia Ferry Corporation | 117 | 59 | (58) |
| Rapid Transit Project 2000 | 413 | 366 | (47) |
| Other[4] | 90 | 69 | (21) |
| Gross capital plan | 2,010 | 1,767 | (243) |
| *Less:* Recoverable expenditures[5] | | | |
| Hospital districts | (52) | (46) | 6 |
| Greater Vancouver Transportation Authority (*TransLink*) | (34) | (18) | 16 |
| Net capital plan | 1,924 | 1,703 | (221) |
| **Other taxpayer-supported** | | | |
| Government operating (ministries) | 223 | 183 | (40) |
| 552513 British Columbia Ltd. (Skeena Cellulose Inc.)[6] | 89 | 81 | (8) |
| Social housing[7] | 20 | 43 | 23 |
| Other[8] | 17 | 18 | 1 |
| **Total taxpayer-supported** | **2,273** | **2,028** | **(245)** |
| **Self-supported** | | | |
| British Columbia Hydro and Power Authority | 450 | 412 | (38) |
| British Columbia Railway Company | 125 | 122 | (3) |
| Columbia Power Corporation | 69 | 63 | (6) |
| Columbia Basin Trust — joint ventures | 69 | 63 | (6) |
| Insurance Corporation of British Columbia | 66 | 39 | (27) |
| ICBC Properties Ltd. | —[9] | 39 | 39 |
| British Columbia Lottery Corporation | —[9] | 13 | 13 |
| British Columbia Liquor Distribution Branch | 26 | 20 | (6) |
| **Total self-supported** | **805** | **771** | **(34)** |
| **Total capital expenditures** | **3,078** | **2,799** | **(279)** |

[1] Amounts may vary from those reported in Crown Corporation statements due to the reporting convention used for the capital plan.
[2] Includes the effect of certain costs previously considered capital expenditures being reclassified as operating costs and vice versa. The net effect of the change was to decrease education capital expenditures by $128 million and capital expenditures for the seismic upgrading of government buildings by $10 million. The change increased health capital expenditures, including funding provided through supplementary estimates, by $128 million.
[3] Restated to include $16 million previously included with other taxpayer-supported capital expenditures.
[4] British Columbia Buildings Corporation, Ministry of Attorney General, Ministry for Children and Families, British Columbia Transit and the Pacific National Exhibition.
[5] Expenditures by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (*TransLink*).
[6] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the debt was reclassified as being taxpayer supported in fiscal 2000/01.
[7] Net of construction costs recoverable from non-profit societies.
[8] Includes British Columbia Buildings Corporation (non-capital-plan projects), B.C. Pavilion Corporation, British Columbia Securities Commission, Tourism British Columbia and British Columbia Assessment Authority.
[9] An estimate was not available for the 2000/01 budget.

*Health facilities*

- Vancouver Island Cancer Clinic in Victoria; Radiology department at Vancouver General Hospital, addition to Three Links multi-level care facility in Vancouver; Mill Site Lodge, 100 Mile House; and Normana Rest Home, Burnaby.

*Justice facilities*

- construction of the North Fraser Pre-Trial Centre in Port Coquitlam.

*Roads and transportation*

- construction of new car ferry on Kootenay Lake (Osprey 2000); widening of Ladysmith to Carmichael section of Vancouver Island Highway project; widening of Stanley Park causeway; Highway Occupancy Vehicle (HOV) facilities at Highway 17 and 99 interchange; construction of Nakusp bypass; construction of a ferry; and BCR Marine terminal capacity upgrade.

*Power generation*

- Burrard Generating Station 6th Selective Catalytic Reduction Installation to reduce emissions and upgrade the unit to improve availability and efficiency.

## Alternative Capital Procurement and Financing

Alternative procurement refers to the acquisition and financing of capital assets by methods other than direct purchase and/or traditional issuance of general obligation debt of the Province. The government, through its Capital Procurement Policy Guidelines, encourages the use of innovative and cost-effective alternative methods of procurement and financing of public capital projects. The potential benefits of using alternative methods include reduction of lifecycle project costs, mitigation and transfer of project risks (e.g. construction, ownership, finance and/or operations), protection of the province's credit rating and accelerated delivery of infrastructure.

The list of alternative capital procurement projects completed or under review during the year includes:

- *Green Buildings BC — Retrofit Program:* A comprehensive program, including a pooled financing vehicle of $30 million has been established to facilitate the implementation of retrofit projects by public institutions such as schools, colleges, universities and hospitals. These projects are expected to generate sufficient savings in operating costs to cover the related debt/contract service payments;
- *University Campus Activity Centre:* The competitive process for financing of a campus activity centre for the University College of Cariboo was completed ($1.4 million);
- *New Borrowing Facility for the University of British Columbia (UBC):* The structure and terms of a $400 million facility for the issuance of debt securities in the capital markets to finance UBC's self-supporting projects (e.g. student and faculty housing, bookstore, parking facilities and commercial ancillary services) are being finalized. The debt service requirements will be provided from incremental revenues of commercial projects and other non-government sources. UBC has received a credit rating of Aa3 from Moody's Investor Service;
- *Georgia Straight Crossing Project:* A joint venture between BC Hydro and Williams Energy (a large U.S. firm specializing in pipeline construction/operation) was formalized. The joint venture would be responsible for the construction of a natural gas pipeline between the State of Washington and Vancouver Island to supply future power generators in Campbell River and Port Alberni (US $159 million). An engagement agreement for financial advisory services has been concluded and the necessary regulatory and environmental documents have been filed. The completion of pipeline construction is targeted for November 2003;
- *Pacific National Exhibition (PNE):* The relocation of PNE from Vancouver to a 27-hectare site in Surrey and its potential expansion to a major destination theme park through partnership arrangements with the private sector remains under assessment and is in the planning process ($200 million);
- *Hydro Power Projects:* Negotiations for the purchase of generating facilities by a joint venture between Columbia Power Corporation and Columbia Basin Trust have been concluded. The acquisition which is subject to regulatory approvals will be financed in the capital markets on a limited recourse basis in 2001/2002; and
- *Public Private Partnership* models for the development of senior housing and infrastructure at post secondary institutions.

## Debt Management Operations

### *Overview*

Management of the province's debt portfolio is overseen by a risk committee to ensure that liability management is based on sound financial principles and is conducted in a prudent manner, balancing costs and risks within acceptable control standards. The Risk Committee is comprised of the Deputy Minister of Finance, the Assistant Deputy Minister, Provincial Treasury and an external member. The Debt Management Branch of Provincial Treasury manages the province's debt.

The committee sets risk policies and parameters for compliance by the Debt Management Branch, including: portfolio management authority matrix, term structure of debt, floating rate exposure, foreign currency exposure, liquidity risk, authorized derivative transactions and counterparty credit exposure. (See Appendix G.)

### *Debt Management Performance Measurement*

The primary objective of debt management is to manage the cost of debt and associated risk in a manner that is consistent with the long-term financial objectives of the province. This entails managing the debt portfolio to minimize the total cost of existing and new debt, subject to an acceptable level of risk.

Portfolios vary in terms of expected costs and risk depending on their makeup in terms of exposure to interest rates and to exchange rates. In general, as the expected costs of a portfolio is reduced, the variability of cost, and risk, increases.

In order to carry out their task, debt managers require guidance as to portfolio objectives and the bounds of acceptable results. In other words, they require a target or benchmark debt management portfolio. The benchmark portfolio provides operational guidelines for debt management, as well as a reference point for monitoring risk and performance measurement. The benchmark is selected by quantifying the cost and risk of many portfolios, and choosing one that minimizes cost subject to an acceptable level of risk.

In measuring the cost of debt over a given period of time, it is important to recognize the period-to-period change in the market value of existing and new debt. The cost measure, which is referred to as the total cost of debt, includes interest paid plus changes in market value. This is analogous to the total return of investment portfolios (earnings plus changes in market value).

The Debt Management Branch continues to evaluate a performance measurement system for the province direct portfolio. While preliminary results are positive, the system requires further work to ensure that we are able to fully account for differences in returns between the actual portfolio and the benchmark against which it is measured.

Section III

# **Appendices**

(unaudited)

## Appendix A: Glossary of Terms

**Arbitrage** — refers to trading to generate a risk-free profit without investment. For purposes of the province's Matched Book Program, arbitrage refers to borrowing funds at one rate and investing the same funds at a higher rate with minimal risk.

**Benchmark portfolio** — represents the debt manager's neutral liability position and represents the minimum cost subject to an acceptable level of risk. The manager may make active decisions to deviate from the neutral position with the intention of adding value to the actual portfolio. The performance of the manager is judged by comparing the total cost of the actual portfolio with the total cost of the benchmark portfolio.

**Call** — an option which gives the holder the right but not the obligation to purchase a financial instrument at a set price at some point in the future.

**Commercial Crown corporations** — corporations which generate revenue from the sale of services at commercial rates and pay their own operating expenses, including debt service charges.

**Commercial debt** — self-supporting debt.

**Debt per capita** — the ratio of debt to total population.

**Debt to GDP** — the ratio of debt outstanding at year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year.

**Debt to revenue** — the ratio of debt outstanding at fiscal year end compared to revenue from all sources during the year.

**Defeasance** — an accounting term meaning extinguishment of debt by setting aside sufficient assets/ investments in an irrevocable trust to satisfy future interest payments and principal repayment.

**Derivative product** — a swap or other financial instrument that is used to hedge interest rate, foreign currency or commodity price exposure.

**Discount** — the difference between the par value of an issue and its actual price. Discounts, which occur when the price is below par, are amortized over the life of a bond/note.

**Fiscal agency loans** — debt borrowed directly by the government with proceeds relent to Crown corporations and agencies.

**Guaranteed debt** — debt incurred by Crown corporations and others with a provincial government guarantee as to the payment of principal and interest.

**Hedging** — using derivative products to reduce exposure to interest rate and currency fluctuations.

**Infrastructure** — includes roads, water and sewer services, ferry and transit systems, schools, hospitals, universities and other capital works.

**Interest bite** — how much of each dollar of provincial revenue is used to pay for taxpayer-supported debt service costs.

**Market Value** — The market value of a portfolio is the sum of the market values of the individual securities comprising the portfolio. The market value of a security is the amount one would reasonably expect to pay for it on the open market. In particular, the market value of a debt instrument is the present value of its future cash flows. The market value of debt is negative because the cash flows are negative (interest and maturity payments made by the province to the investor). The market value of a derivative instrument is also the present value of its future cash flows. However, a derivative may have both negative and positive cash flows, and hence its market value may be either negative or positive.

**Matched Book Program** — a portfolio of offsetting assets and liabilities with equal maturities. The program is designed to generate low-risk arbitrage profit for the government. Also called the Provincial Treasury Revenue Program.

**MTN** — domestic medium term note — is often placed directly with end investors, much like a private placement.

**Non-guaranteed debt** — debt which is incurred by a government body but which is not guaranteed by the province.

**Premium** — the difference between the par value of an issue and its actual price. Premiums, which occur when the price is above par, are amortized over the life of a bond/note.

**Provincial government direct debt** — funds borrowed for government operations and capital spending, refinancing of maturing debt and other financing transactions.

**Put** — an option which gives the holder the right but not the obligation to sell a financial instrument at a set price at some point in the future.

**Self-supported debt** — includes debt of entities which generate sufficient revenues from external sources to cover their operating expenses including debt interest costs and redemptions. It also includes debt of the warehouse borrowing program.

**Sinking fund** — a trust account established by policy to provide for the orderly repayment of debt obligations. Sinking funds accumulate through annual payments and retain all investment earnings. Sinking funds are deducted from gross debt to yield net debt.

**Swap** — a derivative product used to hedge interest rate and/or currency exposure as well as commodity price risks. Swaps involve an exchange of cash flows.

**Taxpayer-supported debt** — includes direct debt incurred for government operations and debt of Crown corporations and agencies, which undertake capital projects that provide services to the province, but require an operating or debt service subsidy from the provincial government.

**Warehouse borrowing program** — borrows money in advance of actual requirements. Funds are invested until required. This debt is eventually allocated to either the provincial government or its Crown corporations and agencies.

## Australian Dollar Domestic Medium Term Note Program (AMTN)

The AMTN provides for borrowing in the Australian dollar currency. The program permits syndicated bond issues and notes tailored to specific investor demand. The AMTN is currently limited to a maximum of A $3.0 billion.

## BC Savings Bonds (BCSB)

BCSBs were sold to individual British Columbia investors, however effective July 2001, the BC Savings Bond program was eliminated, as more cost-effective, low-risk borrowing options are available to the province.

## Canada Pension Plan (CPP)

From time to time, the federal government has offered to lend CPP funds at attractive rates in return for provincially-issued securities. Between 1992 and March 1999, the federal government did not provide funding opportunities for new borrowing or for refinancing under this program. However, as a result of federal reform of CPP investment strategy, the provinces are now offered opportunities to borrow CPP funds.

## Canadian Promissory Notes and U.S. Commercial Paper

These forms of short-term financing are based on notes that pay the bearer an agreed amount at the end of a specified term that does not exceed one year. Under these programs, debt managers meet short-term borrowing requirements by contacting designated members of the financial community to solicit bids for required funds and choosing the one with the lowest total costs.

## Domestic Medium Term Notes (MTN)

Domestic Medium Term Notes are used as a way of raising funds for terms between one and five years. More recently, the use of this type of borrowing has grown and MTNs now include terms between 10 and 40 years. This type of financing is arranged through investment dealers who work with staff to design securities in response to specific investor demands. MTNs typically range in size from $25 million to $250 million.

## Euro Debt Issuance Program (EDIP)

The EDIP provides for borrowing in 15 approved currencies. The program permits syndicated bond issues and notes tailored to specific investor demands called Euro Medium Term Notes (EMTNs). EDIP is currently limited to a maximum of US $5.0 billion, or its equivalent, in outstanding debt.

## Private Placements

The government will sometimes undertake private placements with investors to supplement its debt financing program. Examples of such financings are leases of equipment on behalf of government and Crown agencies (for example, ferry and transit vehicles).

## Provincial Trusteed Funds

Pension funds and sinking funds are managed by the British Columbia Investment Management Corporation as trustee. Occasionally the Debt Management Branch may arrange to borrow from provincial trusteed funds. From time to time, these funds are prepared to lend money to the province subject to prevailing market terms and in accordance with the fiduciary responsibilities of the trustee.

## Syndicated Public Bond Issues

When financing large sums is needed, the government issues public bonds. The government agrees to sell a specified amount of marketable bonds to a syndicate of underwriters, who then market the bonds to investors. Syndicate members are selected according to a number of criteria such as market distribution capabilities and track record, previous service, reputation and interest rates offered.

A separate syndicate is established for each market in which securities are issued from time to time including the Canadian, Euro-Canadian, Global Canadian and U.S. dollars, U.S. (Yankee), Euro-U.S., Euro-yen, Euro-sterling, Swiss franc and Australian dollar markets.

## Appendix C: Schedule of Debt Maturities

### PROVINCE OF BRITISH COLUMBIA DEBT MATURITIES
As at March 31, 2001

| Fiscal Year | Gross Debt* | Sinking Funds* | Net Debt* |
|---|---|---|---|
| | | ($ millions) | |
| 2001/02 | 2,353.1 | 692.7 | 1,660.4 |
| 2002/03 | 2,712.6 | 619.5 | 2,093.1 |
| 2003/04 | 2,406.6 | 684.0 | 1,722.6 |
| 2004/05 | 2,461.8 | 439.7 | 2,022.1 |
| 2005/06 | 1,921.1 | 329.3 | 1,591.8 |
| 2006/07 | 1,417.9 | 371.7 | 1,046.2 |
| 2007/08 | 1,283.6 | 204.2 | 1,079.4 |
| 2008/09 | 2,757.8 | 219.2 | 2,538.6 |
| 2009/10 | 1,309.3 | 241.2 | 1,068.1 |
| 2010/11 | 2,744.7 | 440.2 | 2,304.5 |
| 2011/12 | 1,854.9 | 805.6 | 1,049.3 |
| 2012/13 | 216.7 | 81.3 | 135.4 |
| 2013/14 | 1,790.3 | 551.6 | 1,238.7 |
| 2014/15 | 594.8 | 163.3 | 431.5 |
| 2015/16 | 0.0 | 0.0 | 0.0 |
| 2016/17 | 45.0 | 11.2 | 33.8 |
| 2017/18 | 0.0 | 0.0 | 0.0 |
| 2018/19 | 12.9 | 0.4 | 12.5 |
| 2019/20 | 294.6 | 14.0 | 280.6 |
| 2020/21 | 769.0 | 425.1 | 343.9 |
| 2021/22 | 321.3 | 119.9 | 201.4 |
| 2022/23 | 775.0 | 302.0 | 473.0 |
| 2023/24 | 930.4 | 190.9 | 739.5 |
| 2024/25 | 920.0 | 191.4 | 728.6 |
| 2025/26 | 788.7 | 470.9 | 317.8 |
| 2026/27 | 210.0 | 60.6 | 149.4 |
| 2027/28 | 550.0 | 258.3 | 291.7 |
| 2028/29 | 200.0 | 0.0 | 200.0 |
| 2029/30 | 2,535.0 | 267.2 | 2,267.8 |
| 2030/31 | 0.0 | 0.0 | 0.0 |
| 2031/32 | 900.0 | 594.4 | 305.6 |
| 2032/36 | 0.0 | 0.0 | 0.0 |
| 2036/38 | 473.2 | 222.4 | 250.8 |
| 2038/39 | 215.0 | 103.0 | 112.0 |
| 2039/40 | 200.0 | 120.0 | 80.0 |

* Excludes short-term, non-guaranteed debt, perpetual bonds and investment cash for relending, certified debt and related sinking funds. It is assumed that sinking fund installments will continue to be made according to current policy. Sinking fund balances are projected to grow at 5 per cent. Any foreign denominated debt has been re-stated at the foreign exchange rate on March 31, 2001.

# Appendix D: Historical Debt Table

## HISTORICAL PROVINCIAL DEBT SUMMARY FOR FISCAL YEARS ENDED MARCH 31[1]

| Year | Taxpayer-Supported Debt | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Provincial Government Direct Operating | Education Facilities Capital Financing | Health Facilities Capital Financing | Highways, Ferries and Public Transit | Other[2] | Total Taxpayer-Supported Debt | Self-Supported Debt[3] | Total Provincial Debt | Total Provincial Debt as a Per cent of GDP | Taxpayer-Supported Debt as a Per cent of GDP |
| 1970 | — | 338 | 42 | 142 | 100 | 622 | 1,661 | 2,283 | 25.7 | 7.0 |
| 1971 | — | 362 | 64 | 172 | 99 | 697 | 1,808 | 2,505 | 26.9 | 7.5 |
| 1972 | — | 380 | 85 | 233 | 95 | 793 | 1,948 | 2,741 | 26.5 | 7.7 |
| 1973 | — | 408 | 105 | 288 | 87 | 888 | 2,062 | 2,950 | 24.8 | 7.5 |
| 1974 | — | 425 | 117 | 340 | 145 | 1,027 | 2,228 | 3,255 | 22.1 | 7.0 |
| 1975 | — | 485 | 133 | 386 | 149 | 1,153 | 2,650 | 3,803 | 21.8 | 6.6 |
| 1976 | — | 557 | 178 | 544 | 145 | 1,424 | 3,144 | 4,568 | 23.4 | 7.3 |
| 1977 | 261 | 658 | 236 | 649 | 188 | 1,992 | 3,787 | 5,779 | 25.1 | 8.7 |
| 1978 | 261 | 710 | 291 | 656 | 215 | 2,133 | 4,464 | 6,597 | 25.7 | 8.3 |
| 1979 | 261 | 778 | 334 | 653 | 91 | 2,117 | 4,838 | 6,955 | 24.2 | 7.4 |
| 1980 | 235 | 836 | 401 | 730 | 195 | 2,397 | 5,704 | 8,101 | 24.3 | 7.2 |
| 1981 | 209 | 919 | 461 | 729 | 270 | 2,588 | 5,956 | 8,544 | 22.3 | 6.8 |
| 1982[4] | 183 | 1,067 | 561 | 844 | 291 | 2,946 | 7,227 | 10,173 | 22.7 | 6.6 |
| 1983 | 883 | 1,204 | 660 | 1,024 | 894 | 4,665 | 7,692 | 12,357 | 27.5 | 10.4 |
| 1984 | 1,596 | 1,321 | 712 | 1,392 | 1,174 | 6,195 | 8,440 | 14,635 | 30.8 | 13.1 |
| 1985 | 2,476 | 1,308 | 717 | 691[5] | 1,276 | 6,468 | 9,082[5] | 15,550 | 31.2 | 13.0 |
| 1986 | 3,197 | 1,276 | 680 | 1,034 | 1,376 | 7,563 | 8,990 | 16,553 | 30.9 | 14.1 |
| 1987 | 4,802 | 1,268 | 681 | 1,097 | 812 | 8,660 | 8,485 | 17,145 | 30.3 | 15.3 |
| 1988 | 5,017 | 1,278 | 716 | 1,192 | 660 | 8,863 | 8,149 | 17,012 | 27.2 | 14.2 |
| 1989 | 4,919 | 1,322 | 763 | 1,213 | 842 | 9,059 | 7,396 | 16,455 | 23.7 | 13.1 |
| 1990 | 4,209 | 1,367 | 837 | 1,244 | 1,262 | 8,919 | 7,340 | 16,259 | 21.5 | 11.8 |
| 1991 | 4,726 | 1,565 | 959 | 1,287 | 1,281 | 9,818 | 7,444 | 17,262 | 21.8 | 12.4 |
| 1992 | 6,611 | 1,939 | 1,040 | 1,527 | 1,431 | 12,548 | 7,493 | 20,041 | 24.5 | 15.3 |
| 1993 | 8,969 | 2,426 | 1,141 | 1,719 | 1,641 | 15,896 | 7,526 | 23,422 | 26.9 | 18.3 |
| 1994 | 10,257[6] | 3,054 | 1,181 | 1,862[6] | 1,627 | 17,981 | 7,946 | 25,927 | 27.6 | 19.2 |
| 1995 | 10,181 | 3,631 | 1,318 | 2,158 | 1,749 | 19,037 | 8,013 | 27,050 | 27.0 | 19.0 |
| 1996 | 10,237 | 3,990 | 1,399 | 2,598 | 1,695[7] | 19,919 | 8,847 | 28,766 | 27.3 | 18.9 |
| 1997 | 11,030 | 4,230 | 1,431 | 3,144 | 1,440[7] | 21,275 | 8,096 | 29,371 | 27.1 | 19.6 |
| 1998 | 11,488 | 4,352 | 1,417 | 3,463 | 1,431[7] | 22,151 | 8,204 | 30,355 | 26.7 | 19.5 |
| 1999 | 12,190 | 4,597 | 1,282 | 3,641 | 1,466[7] | 23,176 | 9,057 | 32,233 | 28.3 | 20.3 |
| 2000 | 13,833[8] | 4,978 | 1,451 | 3,487[8] | 1,405[7] | 25,154 | 9,297 | 34,451 | 29.0 | 21.2 |
| 2001 | 12,069 | 5,263 | 1,780 | 4,191 | 1,650[7,9] | 24,953 | 8,882[9] | 33,835 | 26.9 | 19.9 |

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for fiscal 2000/01.

[2] Includes the British Columbia Buildings Corporation, British Columbia Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and agencies. Also includes loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and loan guarantee provisions.

[3] Commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

[4] Statistics Canada revised provincial nominal GDP back to calendar year 1981 (fiscal year 1981/82). Debt-to-GDP ratios prior to 1981/82 are based on the previously published GDP estimates.

[5] Prior to 1984/85 debt outstanding for the British Columbia Railway Company was classified as taxpayer-supported debt. Beginning in 1984/85 the company was considered to be a commercial operation.

[6] Prior to the establishment of the BC Transportation Financing Authority in the spring of 1993, capital financing for highways was provided through provincial government direct operating debt.

[7] During the period 1995/96 to 1999/00, only an estimate for loan defaults had been included as government guarantees for student loans. Amounts have been restated to add the following guaranteed loans: 2000/01 – $129 million, 1999/00 – $224 million, 1998/99 – $226 million, 1997/98 – $187 million, 1996/97 – $128 million and 1995/96 – $53 million.

[8] Effective March 31, 2000, the provincial government assumed responsibility for fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ($70 million).

[9] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the company's debt was reclassified as being taxpayer-supported in 2000/01. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.

# Appendix E: Provincial Debt Summary

## As at March 31, 2001

| | Gross Debt[1] (Maturity Value) | Unamortized Discount | Sinking Funds | Net Debt[1] | |
|---|---|---|---|---|---|
| | | ($ millions) | | | (Per cent) |
| **Taxpayer-supported debt** | | | | | |
| ***Provincial government direct operating*** | 13,221 | 85 | 1,067 | 12,069 | 36 |
| ***Education***[2] | | | | | |
| Schools | 4,901 | 27 | 994 | 3,880 | |
| Post-secondary institutions | 1,974 | 12 | 579 | 1,383 | |
| | 6,875 | 39 | 1,573 | 5,263 | 16 |
| ***Health facilities***[2] | 2,398 | 6 | 612 | 1,780 | 5 |
| ***Highways, ferries and public transit*** | | | | | |
| BC Transportation Financing Authority | 2,246 | (35) | 84 | 2,197 | |
| British Columbia Ferry Corporation | 21 | — | — | 21 | |
| British Columbia Transit | 85 | — | 10 | 75 | |
| Public transit[2] | 1,214 | 12 | 254 | 948 | |
| *SkyTrain* extension[2] | 854 | 18 | — | 836 | |
| Rapid Transit Project 2000 Ltd. | 114 | — | — | 114 | |
| | 4,534 | (5) | 348 | 4,191 | 12 |
| ***Other*** | | | | | |
| British Columbia Buildings Corporation | 733 | 7 | 116 | 610 | |
| 552513 British Columbia Ltd. (Skeena Cellulose)[3] | 337 | — | — | 337 | |
| Social housing[4] | 266 | 1 | — | 265 | |
| Homeowner Protection Office | 71 | — | — | 71 | |
| Universities and colleges | 169 | 1 | 44 | 124 | |
| Local governments | 10 | — | 2 | 8 | |
| Other[5] | 235 | — | — | 235 | |
| | 1,821 | 9 | 162 | 1,650 | 5 |
| **Total taxpayer-supported debt** | **28,849** | **134** | **3,762** | **24,953** | **74** |
| **Self-supported debt** | | | | | |
| ***Commercial Crown corporations and agencies:*** | | | | | |
| British Columbia Hydro and Power Authority | 8,050 | 26 | 1,172 | 6,852 | |
| British Columbia Railway Company | 630 | 9 | 18 | 603 | |
| Columbia Basin Power Corporation[6] | 93 | — | — | 93 | |
| Columbia Power Corporation | 20 | — | — | 20 | |
| British Columbia Liquor Distribution Branch | 2 | — | — | 2 | |
| | **8,795** | **35** | **1,190** | **7,570** | 22 |
| ***Warehouse Program*** | **1,299** | **(13)** | **—** | **1,312** | **4** |
| **Total self-supported debt** | **10,094** | **22** | **1,190** | **8,882** | **26** |
| **Total Provincial Debt** | **38,943** | **156** | **4,952** | **33,835** | **100** |

[1] Includes hedged foreign currency denominated debt converted at hedged exchange rates prevailing at the time of the hedged transaction and unhedged foreign currency denominated debt converted at exchange rates at March 31, 2001.

[2] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[3] Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.) the debt was reclassified as being taxpayer-supported in 2000/01. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.

[4] Includes debt of the British Columbia Housing Management Commission and Provincial Rental Housing Corporation.

[5] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), student assistance loans, loans guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the British Columbia Securities Commission, Legal Services Society, Pacific National Exhibition, Okanagan Valley Tree Fruit Authority and Tourism British Columbia.

[6] Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

## GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
As at March 31, 2001

| Series | Date of Maturity | Year of Issue | Interest Rate | Amount Outstanding March 31, 2001 | References (see p. 36) |
|---|---|---|---|---|---|
| Long-Term and Medium-Term Debt Issued by Province of British Columbia: | | | (per cent) | (millions of Cdn. dollars) | |
| BCCD-F | May 15, 2001 | 1991 | 9.75 | 4 | (2) |
| BCCD-H | August 29, 2001 | 1991 | 10.15 | 495 | (2) (26) |
| BCSBR-E | October 15, 2001 | 1996 | 5.60 | 65 | (1) (6) (13) |
| BCSBNR-G | October 15, 2001 | 1998 | 5.25 | 308 | (1) |
| BCCMTN-72 | November 5, 2001 | 1998 | 4.85 | 7 | (3) (26) |
| BCCD-J | January 9, 2002 | 1992 | 9.00 | 784 | (2) (26) |
| BCEC-14 | March 4, 2002 | 1998 | 5.25 | 166 | (1) (9) (26) |
| BCEC-15 | June 18, 2002 | 1999 | 5.25 | 200 | (1) (9) |
| BCSBR-F | October 15, 2002 | 1997 | 5.60 | 58 | (1) (6) (13) |
| BCSBNR-H | October 15, 2002 | 1999 | 5.70 | 169 | (1) |
| BCCMTN-89 | December 6, 2002 | 2000 | Floating | 200 | (4) |
| BCCMTN-88 | January 17, 2003 | 2000 | Floating | 90 | (4) |
| BCCG-1 | June 16, 2003 | 1993 | 7.75 | 1,232 | (2) (9) (26) |
| BCSBNR-1 | October 15, 2003 | 2000 | 5.95 | 68 | (1) |
| BCCMTN-22 | February 3, 2004 | 1994 | 6.50 | 30 | (2) (26) |
| BCCD-S | June 21, 2004 | 1994 | 9.00 | 670 | (2) (26) |
| BCCMTN-28 | June 21, 2004 | 1994 | 9.60 | 275 | (2) |
| BCCMTN-47 | June 21, 2004 | 1995 | 9.25 | 50 | (2) |
| BCCMTN-67 | December 10, 2004 | 1997 | 5.25 | 48 | (2) (26) |
| BCCMTN-45 | June 9, 2005 | 1995 | 9.50 | 50 | (2) |
| BCCMTN-86 | August 5, 2005 | 1999 | 6.20 | 50 | (2) (23) |
| BCCD-U | August 23, 2005 | 1995 | 8.00 | 650 | (2) (26) |
| BCCMTN-55 | August 23, 2005 | 1995/00 | 8.00 | 100 | (2) |
| BCCMTN-87 | August 23, 2005 | 1999 | 6.15 | 75 | (2) |
| BCEC-12 | September 21, 2005 | 1993 | 7.25 | 382 | (1) (9) (26) |
| BCSBR-G | October 15, 2005 | 1998 | 5.60 | 319 | (1) (6) (13) |
| BCCMTN-49 | February 24, 2006 | 1995 | 9.00 | 50 | (2) |
| BCSBR-H | October 15, 2006 | 1999 | 5.60 | 78 | (1) (6) (13) |
| BCCG-2 | December 1, 2006 | 1999 | 5.25 | 750 | (2) (9) |
| BCSBR-1 | October 15, 2007 | 2000 | 5.60 | 181 | (1) (6) (13) |
| PRW | December 10, 2007 | 1987 | 10.14 | 1 | (2) (26) |
| PRP-1 | March 31, 2008 | 1996 | 8.18 | 31 | (2) (14) |
| BCCD-V | June 9, 2008 | 1997 | 6.00 | 1,697 | (2) (26) |
| BCJC-2 | January 15, 2009 | 1984 | 8.75 | 25 | (1) (9) |
| BCCMTN-66 | July 10, 2009 | 1997 | 6.10 | 45 | (2) (20) |
| BCCD-Y | December 1, 2009 | 1999 | 6.25 | 500 | (2) |
| BCCD-AA | August 23, 2010 | 2000 | 6.375 | 1,400 | (2) |
| BCCMTN-71 | August 24, 2010 | 1998 | 6.05 | 40 | (2) (22) |
| BCCD-D | February 21, 2011 | 1991 | 10.75 | 237 | (2) (26) |
| BCCMTN-81 | June 14, 2011 | 1999 | 5.65 | 75 | (2) (24) |
| BCCD-K | January 9, 2012 | 1992 | 9.50 | 1,079 | (2) (26) |
| BCCMTN-85 | January 9, 2012 | 1999/00 | 9.50 | 400 | (2) |
| BCCD-N | August 23, 2013 | 1993 | 8.50 | 1,063 | (2) (26) |
| BCCMTN-44 | August 23, 2013 | 1995 | 9.60 | 57 | (2) (26) |
| BCCMTN-50 | August 23, 2013 | 1995 | 9.25 | 65 | (2) (26) |
| BCCMTN-53 | August 23, 2013 | 1995 | 8.50 | 348 | (2) (26) |
| BCCMTN-80 | August 23, 2013 | 1999 | 5.75 | 100 | (2) |
| BCCD-Q | June 9, 2014 | 1994 | 7.50 | 394 | (2) (26) |

## GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
*Continued*
As at March 31, 2001

| Series | Date of Maturity | Year of Issue | Interest Rate | Amount Outstanding March 31, 2001 | References (see p. 36) |
|---|---|---|---|---|---|
| | | | (per cent) | (millions of Cdn. dollars) | |
| BCCMTN-33 | June 9, 2014 | 1994 | 9.625 | 25 | (2) |
| BCCMTN-34 | June 9, 2014 | 1994 | 9.625 | 36 | (2) (26) |
| BCCMTN-38 | June 9, 2014 | 1994 | 9.60 | 89 | (2) (26) |
| BCCMTN-27 | June 20, 2014 | 1994 | 8.50 | 50 | (2) |
| BCCMTN-25 | October 3, 2016 | 1994 | 9.125 | 45 | (2) |
| BCCMTN-26 | June 17, 2019 | 1994 | 9.00 | 50 | (2) |
| BCCD-C | September 5, 2020 | 1990 | 10.60 | 600 | (2) |
| BCCMTN-46 | September 5, 2020 | 1995 | 10.60 | 20 | (2) |
| BCCD-G | May 15, 2021 | 1996 | 9.95 | 296 | (2) |
| BCCMTN-76 | February 23, 2022 | 1999 | 6.00 | 25 | (2) |
| BCCD-L | June 9, 2022 | 1992 | 9.50 | 450 | (2) |
| BCCD-M | August 19, 2022 | 1992 | 8.75 | 300 | (2) |
| BCCMTN-77 | February 23, 2023 | 1999 | 6.00 | 25 | (2) |
| BCCD-P | September 8, 2023 | 1993 | 8.00 | 400 | (2) |
| BCCMTN-60 | September 8, 2023 | 1995 | 8.00 | 35 | (2) |
| BCCMTN-79 | September 8, 2023 | 1999 | 6.40 | 50 | (2) |
| BCEC-13 | November 30, 2023 | 1993 | 7.875 | 345 | (1) (9) (26) |
| BCCMTN-78 | February 23, 2024 | 1999 | 6.00 | 100 | (2) |
| BCCD-T | August 23, 2024 | 1994 | 9.00 | 400 | (2) |
| BCCMTN-40 | August 23, 2024 | 1995 | 9.00 | 35 | (2) |
| BCCMTN-52 | August 23, 2024 | 1995 | 9.00 | 200 | (2) |
| BCCMTN-56 | August 23, 2024 | 1995 | 8.50 | 30 | (2) |
| BCCMTN-62 | August 23, 2024 | 1996 | 7.875 | 200 | (2) |
| BCCMTN-82 | August 23, 2024 | 1999 | 7.00 | 55 | (2) |
| BCCMTN-63 | June 9, 2026 | 1996 | 8.00 | 110 | (2) |
| BCCMTN-64 | December 4, 2026 | 1996 | 5.40 | 40 | (2) (18) |
| BCCMTN-74 | December 4, 2026 | 1999 | 5.40 | 60 | (2) (15) |
| BCCMTN-65 | June 9, 2027 | 1997 | 7.50 | 50 | (2) |
| BCCD-W | November 19, 2027 | 1997 | 6.15 | 500 | (2) |
| BCCMTN-70 | August 17, 2028 | 1998 | 5.45 | 200 | (2) (11) |
| BCCD-X | June 18, 2029 | 1998/99 | 5.70 | 2,285 | (2) |
| BCCMTN-83 | June 18, 2029 | 1999 | 5.86 | 250 | (2) (25) |
| BCCD-Z | June 18, 2031 | 2000 | 6.35 | 900 | (2) |
| BCCMTN-69 | January 9, 2039 | 1998 | 5.75 | 150 | (2) |
| BCCMTN-73 | January 9, 2039 | 1998 | 6.00 | 65 | (2) |
| BCCMTN-84 | August 23, 2039 | 1999 | 6.30 | 200 | (2) |
| Canada Pension Plan issues | | 1980–2000 | 5.61–17.51 | 3,748 | (2) (9) (26) |
| Redemption premium re MTN-74 | | | | 15 | |
| Other | | | | 2 | (17) |
| Short-term Promissory Notes | | | | 821 | |
| Total Issues in Canadian Dollars | | | | 28,418 | |

At March 31, 2001, sufficient securities had been set aside in an irrevocable trust to satisfy the schedule interest and principal repayment requirements of C $883 million (2000: $1,076 million). For a breakdown of the defeased debt, see P. 36, reference 26.

## GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA

*Continued*

As at March 31, 2001

| Series | Date of Maturity | Year of Issue | Interest Rate | Amount Outstanding March 31, 2000 | References (see p. 36) |
|---|---|---|---|---|---|
| | | | (per cent) | (millions of Cdn. dollars) | |
| BCEUS-1 | June 18, 2002 | 1992 | 7.750 | 500 | (1) (9) |
| BCUSD-1 | January 15, 2003 | 1993 | 7.00 | 500 | (2) (9) |
| BCEUS-2 | February 5, 2003 | 1993 | 5.50–8.00 | 73 | (1) (9) (26) |
| BCCMTN-75 | January 15, 2004 | 1999 | Floating | 200 | (4) (12) |
| BCEUS-5 | February 8, 2005 | 2000 | 7.25 | 250 | (1) |
| BCEUS-4 | June 11, 2007 | 1997 | 7.125 | 460 | (1) (9) (26) |
| BCUSD-2 | January 15, 2026 | 1996 | 6.50 | 500 | (2) (9) |
| BCUSG-1 | October 29, 2008 | 1998 | 5.375 | 500 | (2) |
| BCEMTN-22 | October 28, 2013 | 1998 | Floating | 100 | (4) |
| BCUSD-3 | September 1, 2036 | 1996 | 7.25 | 300 | (2) (9) |
| Short-term Promissory Notes | | | | 856 | |
| Total Issues in U.S. Dollars* | | | | US$ 4,239 | |
| Exchange Premium (Including Hedge) | | | | 2,247 | |
| U.S. Issues at Cdn. Dollar Equivalent | | | | CDN$ 6,486 | |
| BCEMTN-1 | May 31, 2004 | 1994 | 4.1048 | 5,000 | (1) (9) |
| BCEMTN-2 | June 15, 2004 | 1994 | 3.923 | 5,000 | (2) (9) |
| BCEMTN-16 | June 19, 2007 | 1997 | 3.50 | 5,000 | (1) (21) |
| BCEMTN-23 | March 1, 2010 | 2000 | 1.855 | 7,000 | (1) |
| BCEMTN-21 | September 16, 2010 | 1998 | 2.07 | 10,000 | (1) (21) |
| Total Issues In Japanese Yen | | | | ¥ 32,000 | |
| Exchange Premium (Including Hedge) | | | | (31,602) | |
| Japanese Issues at Cdn. Dollar Equivalent** | | | | CDN$ 398 | |
| BCSFR-2 | February 20, 2002 | 1997 | 3.25 | CHF 200 | (1) (9) |
| BCSFR-3 | June 25, 2004 | 1998 | 3.00 | 600 | (1) (9) |
| Total Issues in Swiss Francs | | | | CHF 800 | |
| Exchange Premium (Including Hedge) | | | | (18) | |
| Swiss Franc Issue at Cdn. Dollar Equivalent** | | | | CDN$ 782 | |
| BCES-1 | December 31, 2003 | 1996 | 7.50 | GB 190 | (1) (9) (26) |
| Exchange Premium (Including Hedge) | | | | 219 | |
| Sterling Issue at Cdn. Dollar Equivalent** | | | | CDN$ 409 | |
| BCEFF-1 | January 30, 2007 | 1996 | 6.25 | FR 1,405 | (1) (9) (26) |
| BCEFF-2 | July 15, 2009 | 1997 | 5.875 | 1,731 | (1) (9) (26) |
| Total Issues in French francs | | | | FR 3,136 | |
| Exchange Premium (Including Hedge) | | | | (2,358) | |
| French Franc Issue at Cdn. Dollar Equivalent** | | | | CDN$ 778 | |
| BCEDM-1 | July 21, 2010 | 1998 | 5.125 | DM 703 | (1) (9) (26) |
| Exchange Premium (including Hedge) | | | | (127) | |
| Deutschemark Issue at Canadian Dollar Equivalent | | | | CDN$ 576 | |
| Gross Direct Debt issued by the Province (In Canadian Dollar Equivalents) | | | | CDN$ 37,847 | |

* Payable and expressed in U.S. dollars. Debt payable in US $980 million has been hedged to Cdn $1,369 million. Debt payable in U.S. $500 million has been hedged to JP¥61,028.8 million. This balance was translated at the exchange rate prevailing at year-end.

** Foreign currency debt other than U.S. has been fully hedged to Canadian dollars.

## NET DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
As at March 31, 2001

| | Amount Outstanding March 31, 2001 | |
|---|---|---|
| | ($ millions) | |
| Gross Direct Debt issued by the Province (in Canadian Dollar Equivalents)[1] | | 37,847 |
| *Less* — Fiscal Agency Borrowings on behalf of: | | |
| Warehouse Borrowing Program | 1,299 | |
| BC Transportation Financing Authority | 2,247 | |
| British Columbia Assessment Authority | 2 | |
| British Columbia Buildings Corporation | 681 | |
| British Columbia Housing Management Commission | 124 | |
| British Columbia Hydro and Power Authority | 7,800 | |
| British Columbia Institute of Technology | 25 | |
| British Columbia Railway Company | 610 | |
| British Columbia Transit | 82 | |
| College of New Caledonia | 3 | |
| College of the Rockies | 3 | |
| Columbia Power Corporation | 21 | |
| Douglas College | 1 | |
| Home Owner Protection Office | 15 | |
| Improvement Districts | 8 | |
| Malaspina University College | 2 | |
| Okanagan University College | 11 | |
| Pacific Racing Association | 5 | |
| Rapid Transit Project 2000 Ltd. | 114 | |
| Selkirk College | 2 | |
| Simon Fraser University | 29 | |
| University College of the Cariboo | 5 | |
| University of British Columbia | 62 | |
| University of Northern British Columbia | 16 | |
| University of Victoria | 10 | |
| 552513 British Columbia Ltd. (Skeena Cellulose Inc.) | 91 | |
| | 11,969 | 13,268 |
| Gross Direct Debt | | 24,579 |
| *Less* — Unamortized Discount | 159 | |
| — Government Sinking Funds | 3,506 | |
| — Bonds held in the Consolidated Revenue Fund | 18 | 3,683 |
| Total Net Direct Debt | | 20,896 |
| Gross Fiscal Agency Reloaned Debt | | 13,268 |
| *Less* — Gross Fiscal Agency Debt | | 11,969 |
| Gross Fiscal Agency Debt for Warehouse Borrowing Program Purposes | | 1,299 |
| *Less* — Unamortized Discount/(Premium) | (13) | (13) |
| Total Net Fiscal Agency Debt for Warehouse Borrowing Program Purposes | | 1,312 |
| Gross Fiscal Agency Debt | | 11,969 |
| *Less* — Unamortized Discount | 10 | |
| — Government Sinking Funds | 1,299 | 1,309 |
| Total Net Fiscal Agency Debt | | 10,660 |
| Total Net Direct and Fiscal Agency Debt, Warehouse Borrowing Program Debt | | 32,868 |
| *Less* — Warehouse Borrowing Program Investments Available to Paydown Warehouse Borrowing Program Debt | | 1,312 |
| Total Net Direct and Fiscal Agency Debt | | 31,556 |

[1] At March 31, 2001, sufficient securities had been set aside in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $883 million (2000: $1,076 million). For breakdown of the defeased debt see page 36, reference (26).

## GUARANTEED DEBT
## As at March 31, 2001

| Issuer and Series | Year of Maturity | Year of Issue | Interest Rate | Amount Outstanding[1] March 31, 2001 |
|---|---|---|---|---|
| | | | (per cent) | (millions of Cdn. dollars) |
| British Columbia Hydro and Power Authority[2] | 2006–2011 | 1981 | 13.50–14.50 | 149 |
| British Columbia Railway Company Ltd. Capital Leases | 2003 | 1983 | 11.89 | 5 |
| British Columbia Ferry Corporation Capital Leases[3] | 2005 | 1985 | 8.69 | 21 |
| British Columbia Transit[4] | 2002 | 1982 | 15.54 | 1 |
| British Columbia Buildings Corporation[5] | 2005 | 1980 | 6.21 | 7 |
| Mortgages | | | | 1 |
| Subtotal | | | | 8 |
| Municipalities, Improvement Districts and Other Local Government Entities | 2004–2007 | 1979–1986 | 10.12–15.75 | 2 |
| Sub-total Guaranteed Debt | | | | 186 |
| *Plus* — Other Guaranteed Debt[6] | | | | 365 |
| | | | | 551 |
| *Less* — Provisions for Probable Payout | | | | 14 |
| Total Guaranteed Debt | | | | 537 |

[1] Total net of sinking funds.
[2] Includes the perpetual callable bonds (issued by the former British Columbia Electric Company Limited).
[3] At March 31, 2001, British Columbia Ferry Corporation had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment of Cdn $46 million (2000: $34 million).
[4] At March 31, 2001, British Columbia Transit had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $97 million (2000: $106 million).
[5] At March 31, 2001, British Columbia Buildings Corporation had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $88 million (2000: $97 million).
[6] Includes outstanding loan guarantees of Forest Renewal BC, Pacific National Exhibition, Skeena Cellulose Inc., student assistance loans, loans to agricultural producers and guarantees issued under economic development assistance programs.

## NON-GUARANTEED DEBT
As at March 31, 2001

| | (millions of Cdn. dollars) |
|---|---|
| **Taxpayer-Supported Debt** | |
| Homeowner Protection Office | 56 |
| Provincial Rental Housing | 142 |
| Skeena Cellulose Inc.[1] | 94 |
| Forest Renewal BC | 4 |
| Pacific National Exhibition | 7 |
| British Columbia Securities Commission | 2 |
| Other[2] | 2 |
| Total Taxpayer-Supported Non-Guaranteed Debt | 307 |
| **Self-Supported Debt** | |
| Commercial Crown Corporations and Agencies | |
| British Columbia Railway Company | 14 |
| Columbia Basin Power Company[3] | 93 |
| British Columbia Liquor Distribution | 2 |
| Total Self-Supported Non-Guaranteed Debt | 109 |
| Total Non-Guaranteed Debt | 416 |

[1] Based on the outlook for world pulp prices and their potential impact on Skeena Cellulose Inc., the debt was reclassified as being taxpayer-supported in 2000/01.
[2] Includes debt of the British Columbia Transit, the Okanagan Valley Tree Fruit Authority and the Legal Services Society.
[3] Columbia Basin Power Company is a joint venture of Columbia Power Corporation (50 per cent) and Columbia Basin Trust (50 per cent). This joint venture issued series A Brilliant project bonds secured by the Brilliant Dam assets and a sales agreement with West Kootenay Power Ltd.

## SUMMARY OF DEBT
Amount Outstanding as at March 31, 2001

| | (millions of Cdn. dollars) |
|---|---|
| Total Net Direct Debt | 20,896[1] |
| Total Net Fiscal Agency Debt | 10,660[1] |
| Total Net Fiscal Agency Debt for Warehouse Program Purposes | 1,312[1] |
| Total Guaranteed Debt | 537[2] |
| Total Non-guaranteed Debt | 416[3] |
| Add back Provision for Probable payout | 14[2] |
| Total Debt | 33,835 |

[1] Refer to Table on page 33 for details.
[2] Refer to Table on page 34 for details.
[3] Refer to Non-Guaranteed Debt Table above for details.

## NOTES TO STATEMENTS OF DEBT

(1) Interest payable annually.
(2) Interest payable semi-annually.
(3) Interest payable monthly.
(4) Interest payable quarterly.
(5) Interest rate reset annually.
(6) Interest rate reset semi-annually.
(7) Interest rate reset every two years.
(8) Pursuant to provisions for investment of Canada Pension Plan Funds, this issue is redeemable as a whole or in part on six months notice at the option of the Minister of Finance for Canada subject to certain restrictions (CPP issues).
(9) Callable by the issuer if taxation laws requiring additional payments are imposed or levied.
(10) The corporation is prepared to accept offers for the sale of the securities at par plus accrued interest at the applicable rates.
(11) Puttable at the option of the holder on August 17, 2005 on ten business days' notice (BCCMTN-70).
(12) Callable by the issuer and puttable by the holder on any quarterly interest payment date on 30 days' notice (BCCMTN-75).
(13) Redeemable on October 15 or April 15 prior to maturity at par upon presentation of the bond.
(14) Redeemable at option of issuer January 1, 2007 on 90 days notice (PRP-1).
(15) Coupon will be 5.4% to December 4, 2002 and 7% thereafter to maturity (BCCMTN-74).
(16) Callable seven years prior to maturity or anytime thereafter at par on 30 days notice (Hydro Guaranteed issues).
(17) Including the Province's direct capital leases and the assumption by the Province of debt obligations of David Thompson University Centre.
(18) Puttable at the option of the holder December 4, 2002 (BCCMTN-64).
(19) Payable in US Currency at maturity.
(20) Redeemable at par by the Province on any anniversary date from July 10, 2000 to July 10, 2008 on 25 days notice (BCCMTN-66).
(21) Coupon is payable in US dollars.
(22) Callable at par August 24, 2000 only and every six-month anniversary thereafter on 25 calendar days' notice (BCCMTN-71).
(23) Callable at par August 5, 2003 only, with not more than 14 or less than 7 calendar days notice (BCCMTN-86).
(24) Callable at par on December 14, 2000 and every coupon payment date thereafter, on 10 days' notice. If not called, step-up coupon increases June 14, 2001 and every 2 years to June 14, 2005, then every year to maturity (BCCMTN-81).
(25) Puttable by the investor June 19, 2006 at a price of $98.910 plus one day of accrued interest (BCCMTN-83).
(26) A portion of this issue is defeased. (See following Table.)

## DEFEASED DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA

| Series | Date of Maturity | Year of Issue | Interest Rate | Amount Outstanding March 31, 2001 | | References |
|---|---|---|---|---|---|---|
| | | | (per cent) | (millions of Cdn. dollars) | | |
| **Canadian Dollar Issues** | | | | | | |
| BCCD-H | August 29, 2001 | 1991 | 10.15 | | 5 | (2) (26) |
| BCCMTN-72 | November 5, 2001 | 1998 | 4.85 | | 23 | (3) (26) |
| BCCD-J | January 9, 2002 | 1992 | 9.00 | | 66 | (2) (26) |
| BCEC-14 | March 4, 2002 | 1998 | 5.25 | | 34 | (1) (9) (26) |
| BCCG-1 | June 16, 2003 | 1993 | 7.75 | | 18 | (2) (9) (26) |
| BCCMTN-20 | December 22, 2003 | 1993 | 7.00 | | 20 | (2) |
| BCCMTN-22 | February 3, 2004 | 1994 | 6.50 | | 30 | (2) (26) |
| BCCD-S | June 21, 2004 | 1994 | 9.00 | | 30 | (2) (26) |
| BCCMTN-29 | August 16, 2004 | 1994 | 9.125 | | 5 | (2) |
| BCCMTN-67 | December 10, 2004 | 1997 | 5.25 | | 2 | (2) (26) |
| BCEC-12 | September 21, 2005 | 1993 | 7.25 | | 18 | (1) (9) (26) |
| BCCD-V | June 9, 2008 | 1997 | 6.00 | | 3 | (2) (26) |
| BCCD-D | February 21, 2011 | 1991 | 10.75 | | 13 | (2) (26) |
| BCCD-K | January 9, 2012 | 1992 | 9.50 | | 71 | (2) (26) |
| BCCMTN-44 | August 23, 2013 | 1995 | 9.60 | | 3 | (2) (26) |
| BCCD-N | August 23, 2013 | 1993 | 8.50 | | 37 | (2) (26) |
| BCCMTN-53 | August 23, 2013 | 1995 | 8.50 | | 12 | (2) (26) |
| BCCD-Q | June 9, 2014 | 1994 | 7.50 | | 6 | (2) (26) |
| BCCMTN-34 | June 9, 2014 | 1994 | 9.625 | | 14 | (2) (26) |
| BCCMTN-38 | June 9, 2014 | 1994 | 9.60 | | 1 | (2) (26) |
| BCEC-13 | November 30, 2023 | 1993 | 7.875 | | 5 | (1) (9) (26) |
| CPP Issues | various | 1980/92 | 9.04–17.51 | | 231 | (2) (9) (26) |
| Other[1] | August 23, 2005/ August 23, 2013 and December 10, 2007 | 1987/95 | 8.00–10.14 | | 1 | (2) (26) |
| | | | | CDN$ | 648 | |
| **U.S.** | | | | | | |
| BCEUS-2 | February 5, 2003 | 1993 | 5.50–8.00 | | 27 | (1) (9) (26) |
| BCEUS-4 | June 11, 2007 | 1997 | 7.125 | | 40 | (1) (9) (26) |
| Total Issues in US Dollars | | | | US$ | 67 | |
| Exchange Premium (including Hedge) | | | | | 23 | |
| U.S. Issues at Canadian Dollar Equivalent | | | | CDN$ | 90 | |
| **French Franc** | | | | | | |
| BCEFF-1 | January 30, 2007 | 1996 | 6.25 | FFR | 95 | (1) (9) (26) |
| BCEFF-2 | July 15, 2009 | 1997 | 5.875 | | 269 | (1) (9) (26) |
| | | | | | 364 | |
| Exchange Premium (including Hedge) | | | | | (276) | |
| French Franc Issues at Canadian Dollar Equivalent | | | | CDN$ | 88 | |
| **Sterling** | | | | | | |
| BCES-1 | December 31, 2003 | 1996 | 7.50 | GB | 9 | (1) (9) (26) |
| Exchange Premium (including Hedge) | | | | | 10 | |
| Sterling Issues at Canadian Dollar Equivalent | | | | CDN$ | 19 | |
| **Deutschemark** | | | | | | |
| BCEDM-1 | July 21, 2010 | 1998 | 5.125 | DE | 47 | (1) (9) (26) |
| Exchange Premium (including Hedge) | | | | | (9) | |
| Deutschemark Issue at Canadian Dollar Equivalent | | | | CDN$ | 38 | |
| Total Defeased Direct and Fiscal Agency Debt | | | | CDN$ | 883 | |

[1] BCCD-U 8.00% (0.2 million), MTN-50 9.25% (0.4 million) and PRW 10.14% (0.2 million).

## Appendix G: Debt Management Parameters

The following is a discussion of debt management parameters which form key considerations in the management of the government's debt.

### 1. Avoid funding under unfavourable market conditions

Provincial Treasury will typically manage its funding program ahead of actual requirements, thus mitigating the risk of accessing the market when interest rates are high or market conditions are not receptive to new financing. While Provincial Treasury relies on its outlook for interest rates and foreign exchange to guide the timing of its decisions for financing, fixed rate debt costs are generally "averaged-in" over the course of a year. Financing a large annual borrowing requirement strictly in accordance with a market outlook which may prove to be incorrect is considered to be imprudent.

In addition, Provincial Treasury has instituted measures to help safeguard against the possibility of severe financial market volatility which could hinder the government's financing ability. These measures include:

- containing the size of outstanding short-term debt through use of long-term floating rate debt. This increases the government's capacity for short-term financing if long-term debt markets become unfavourable;
- using the warehouse borrowing program from time to time to take advantage of attractive borrowing opportunities in advance of actual requirements;
- arranging a US $500 million internationally-syndicated backup line of credit. This is a standby facility to backup the province's short-term borrowing program. The federal government and other major provinces have set up similar facilities; and
- using borrowing proceeds to purchase high-quality investments and to generate profit for the government's matched book program. The investments are available to the government in the event of a capital market crisis.

### 2. Minimize risk of refinancing maturing debt

The orderly retirement of future debt obligations without incurring undue refinancing risk is important for minimizing interest costs. To this end, the government deliberately issues its debt securities across the full range of terms from one to 40 years. A broad mix of debt maturities avoids "crowding" of refinancing in any year and further reduces the government's exposure to future interest rate risk. As a result of this policy, the province's refinancing schedule is well-balanced, with an average level of annual net maturities over the next 10 years of C $1.8 billion (see Chart 3).

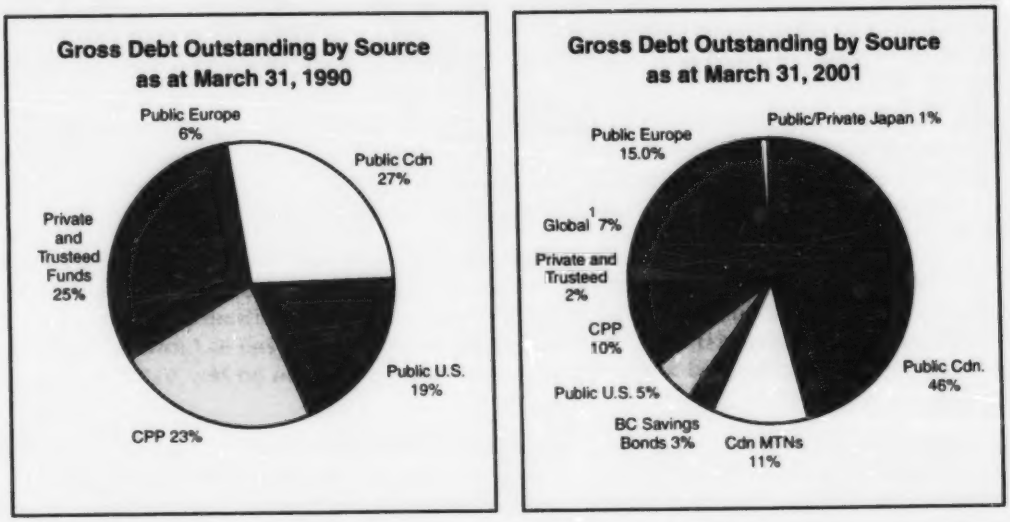
### 3. Diversifying funding sources to reduce debt costs

Borrowing sources are diversified to cultivate strong domestic and international investor demand for British Columbia debt securities. Strong demand helps minimize financing costs for the government. A broad investor base is also important, given the increased competition for funding and the need for multiple funding sources in the face of sometimes difficult and volatile capital markets.

British Columbia borrows from a variety of sources, including public financial markets in Canada, the United States, Europe and Asia; the Canada Pension Plan Investment Fund (CPP); private institutional lenders; and provincial trusteed funds. Chart 8 shows that, compared to 1990, borrowing sources have shifted from private placements, provincial trusteed funds and Canada Pension Plan, towards public capital

markets, particularly in Canada and Europe. Over the past six years, international borrowings have generated significant savings over the cost of funds available at the time from the domestic market (those savings have totalled approximately C $24 million on a present value basis).

CHART 8


Gross Debt Outstanding by Source as at March 31, 1990
Public Europe 6%
Public Cdn 27%
Private and Trusteed Funds 25%
Public U.S. 19%
CPP 23%
Gross Debt Outstanding by Source as at March 31, 2001
Public/Private Japan 1%
Public Europe 15.0%
Global [1] 7%
Private and Trusteed 2%
CPP 10%
Public Cdn. 46%
Public U.S. 5%
BC Savings Bonds 3%
Cdn MTNs 11%

[1] A global debt security is offered simultaneously to investors in Canada, the U.S., Europe and Asia.

## 4. Foreign currency exposure is managed within conservative limits

From time to time, the government issues debt denominated in foreign currencies. The cost of repaying and servicing foreign currency denominated debt varies, in Canadian dollar terms, with the changes in the value of the Canadian dollar relative to other currencies. The exposure of the government's debt portfolio to changes in the value of the Canadian dollar can be effectively offset through various financial instruments including currency swaps.

The Risk Committee has set the maximum allowable foreign currency exposure for government's direct debt and the debt incurred for education, health facilities and public transit at 10 per cent of debt outstanding. U.S. dollar exposure was approximately 3.9 per cent or US $510.5 million and Japanese Yen exposure was 3.7 per cent or Yen 61.0 billion as at March 31, 2001.

Among the Crown corporations, only British Columbia Hydro and Power Authority (BC Hydro) carries U.S. dollar debt exposure. BC Hydro's U.S. dollar debt obligations are largely hedged through BC Hydro's U.S. dollar revenue inflows, as well as through other financial hedges entered into over the past few years. BC Hydro's unhedged U.S. dollar debt exposure was 38.6 per cent of its debt as at March 31, 2001, within the 44 per cent authorized limit set by BC Hydro's board of directors.

## 5. Prudent use of financial products

Subject to parameters set by the Risk Committee, Provincial Treasury uses derivative financial products for hedging interest rate and currency risks associated with the existing debt portfolio and new borrowings. These financial products, or financial derivatives, are not used in a speculative manner, but rather are

matched against specific debt obligations to balance the overall mixes of fixed-and floating-rate debt and currency exposure for the debt portfolios. In this manner, the province is provided with a sufficient degree of flexibility for raising funds, while ensuring that variation in the annual costs of debt servicing and repayment is maintained within a tolerable range.

The ability to offset or hedge exposures through the use of financial products lends flexibility to the funding program by:

- providing access to cost-effective Canadian dollar funding from foreign currency debt issues. Often, for example, foreign currency denominated notes issued by the province are effectively converted to Canadian dollar obligations at substantial savings compared with Canadian dollar financings in the domestic market; and
- supporting the province's strategy to "average-in" the timing and cost of its fixed-rate funding. Such financial products allow the province to access the market for funds when the market is most receptive, without having to immediately incur large amounts of fixed-rate debt. Fixed-rate financing is thus averaged-in gradually rather than incurred intermittently in large amounts.

In June, 1999, the province received legislative approval to enter into commodity derivative transactions. As is the case with financial derivatives, the province's use of commodity derivatives will be restricted by parameters set by the Risk Committee. The province will use commodity derivatives to reduce the risks associated with the purchase and sale of commodities by the government and its Crown corporations and agencies. The province completed its first commodity dervative transaction on May 30, 2001, on behalf of BC Ferries.

The market value of derivative instruments changes as the underlying hedged debt securities change in value, impacted by interest rate and foreign exchange movements. The change in value of hedged securities will move in an equal and opposite direction to the related derivatives. Accordingly, in isolation from valuation of the underlying debt portfolio, the market value of the derivative portfolio has little meaning, save as an important measure of the replacement cost that would be paid or received to terminate the derivative agreements.

The province is subject to risk of default by the counterparty under the terms of a financial products transaction. For this reason, the Risk Committee sets restrictive and high credit criteria for qualifying acceptable counterparties with due regard to the market value or replacement value cost of derivative exposures. Furthermore, the counterparty credit agreements which have been negotiated with financial institutions provide legal and business protection to mitigate risk in favour of the province.